

FTA-ISC Meeting #15
26 October 2020 (virtual)

*A longer confidential version of this document,
with wider ranging financial scenarios, was submitted to the ISC*

Doc 1 - FTA final 2020 and 2021 funding scenarios, and priority setting

ONLINE VERSION

This paper describes the current funding situation and possible scenarios for 2021. Taking into account funding uncertainties for 2021 it proposes to the ISC a change of orientation from limiting carry over, to ensuring continuity of the main activities and core functions of the program. Given the considerable range of funding scenarios for 2021 and the need for FTA to function and deliver in its last year the paper proposes to ground the prioritization of expenses on the identification of critical functions and activities

1) Dealing with a possible 2020 funding shortfall

As each and every year, actual annual W1 provisions to FTA are uncertain, until very late in the year.

Latest funding prospects were announced by the SMO in an email from Elwyn Grainger Jones to the centers DGs in June 2020. It was then indicated that 90% of the combined W1-2 finplan would be essentially guaranteed to CRPs through the stabilization mechanisms. The FTA W1-2 finplan in 2020 was of USD 9,996,000, therefore this leaves a slight risk of shortfall of maximum USD 1m. As of today, FTA received 2.4m of W1 only (out of 7.4m in the finplan).

For the preparation of the initial 2020 POWB, it was decided to program in 2020 the full plan of work of FTA¹, including Tiers 3, in order to limit program-level carry over into 2021².

Given all the uncertainties on the level of resources for 2021 we now propose to limit the engagement of Tiers 3 activities to the level of resources available for them in 2020. We propose that **expenses on tiers 3 activities should be immediately frozen and resume only after the final funding for 2020 is known and only to this amount**. We do not expect a lot of already engaged Tier 3 expenses because as of today, we are still missing 3.3m of Tier 2 funds. Because of the size of 2020 Tier 3 (1.7m), committing to cover it in 2021 is impossible in case of a too stringent funding scenario. This freeze could be taken into account in the final budget revision for 2020, along with the consequences of covid 19 on the delivery of the current POWB.

¹ The 2020 plan of work of FTA was covered by USD 11,481,000 which is sum of USD 1,485,000 of carry-over from 2019, USD 7,387,000 of W1 (as per finplan) and USD 2,609,000m of W2 (as per finplan). This 2020 finplan does not include the USD 1,423,508 from France in 2020, which came after the SC decisions in March 2020.

² This decision created a risk of having to fund in 2021 activities planned in 2020, but this risk was assumed : there was a clear way to deal with it by using the first tranche of 2021 funding.

2) Rules for closing the program in 2021

The Financial Framework Agreement between CIFOR as lead center and the CGIAR system organisation states that 31st Dec 2021 is the cut-off date for all FTA W1-2 expenses, meaning that budget cannot be used after this date, unless we receive a no-cost extension from CGIAR. There is no information yet, whether this would be considered. The program will still need to prepare in 2022 the final report and financial report demonstrating the deliverables it is accountable for. A final evaluation will also take place (it has just started), with its associated costs in preparing documents for the evaluation team.

3) 2021 FINPLAN scenarios for FTA

The official 2021 finplan is not known to date, as it is to be decided by the CGIAR System Council (SC) at its 4-5 December 2020 meeting. The multi-year CGIAR finplan (business plan 2019-2021) published in 2019, shows for FTA *an indicative 2021* finplan of USD 10.7m, of which 8.1m of W1, and 2.6m of W2.

W2 is decided by individual donors and prospects are quite firm for FTA in 2021. Netherlands positively assessed FTA last year, and the funding to FTA in 2021 is the second year of a 3-yr plan for CGIAR funding by the Netherlands (softly earmarked). Australia is a traditional donor since the beginning of the program, also a founder of the lead center CIFOR. Both took part in the FTA science conference. In 2020, France decided to fund FTA W2 as part of a 3-year funding plan of EUR 4m total earmarked on agroecology.

W1 target funding to CRPs is decided by the CGIAR SC annually, and this is expected to take place at the end of November or in December. The One CGIAR process brings an additional range of uncertainties. There is technically an additional uncertainty that is linked to the French W2 funding. Not that this funding would not be provided, but because the SC could decide to reduce FTA W1 by the same amount, depending on its interpretation of the W1-2 relinking rules.

Of course, on top of this uncertainty, there is the “traditional” final uncertainty on W1, (that remains even when the finplan is known), which is to know how much the W1 donors will finally provide in 2021, and how the SMO will use the stabilization fund to eventually compensate shocks in W1 and W2.

Depending on the above, several scenario can take place and these uncertainties are managed by FTA’s contingency planning “tiered” system. The most optimistic scenario at this point would provide USD 12.1m to FTA, if all W2 donors confirm their commitments, and if the original W1 finplan is honored by the SMO, with French W2 funding considered as additional.

4) Prioritization of expenses for FTA in 2021

Given the orientations proposed during the FTA science conference and to arrive at an appropriate hierarchy of funding importance given all the specific 2021 funding

uncertainties mentioned above, we propose the following categories of functions. These **groups of functions** are designed to orient 2021 budgetary decisions as they also fulfil the objective of closing the program in a fully accountable manner to donors and partners, in keeping with the Financial Framework Agreement which has legal standing.

- 1) Finishing to produce the 2020 deliverables still pending and already financed.
- 2) Ensuring the continuity of program coordination, synthesis, monitoring of program delivery and reporting
- 3) Ensuring continuity of FP and partners coordination
- 4) Program level communication
- 5) Impact assessment
- 6) Demonstrating the achievements of the program through synthesis and finalization of previous activities and bringing results to end users and drawing lessons for the future.

The budget will be prepared just like every year: The MSU will provide funding tiers and FP leaders will be making proposals aligned with the priorities 3 year programs of work and guided by the overall spending priorities exposed above. Envelope to FPs will take into account past delivery performance and softly earmarked funds (W2 from France and NL).

Finally, 2021 is likely to be a more volatile year for international development aid to our sectors, due to the Covid-context. Beyond inception commitments, monitoring of instalments to the CGIAR will be critical and we will need to make careful sequential decisions on allowing the FTA tiers, to avoid overspending even in scenarios that appear more favourable in terms of initial donor commitments.

5) Guidance sought from the ISC

- Does the ISC agree on the proposed categorization of functions as above?
- Does the ISC agree on the proposed prioritization of these groups of functions?
- To which degree should the execution of the 2020 POWB anticipate funding uncertainties and in particular revise the previous decision to engage all Tiers 3 activities in 2020? As a result, the ISC could endorse the proposal by the Director of freezing Tier 3 expenses until final resources for 2020 are known, and that final Tier 3 allocations will be decided when final 2020 resources are known.

6) Next steps

- The decisions/guidance by the ISC could be presented on 18 November to the Common Board of CIFOR-ICRAF
- The FTA Management Team will follow the ISC guidance to prepare the 2021 POWB.
- The draft 2021 POWB will be submitted by the MT to the ISC, later in the year or early 2021 (depending on when the 2021 finplan is known).
- When the final 2020 funding is known, a final 2020 budget will be presented to the ISC and the Common Board, and will include the issue of final decision on Tier 3 (release of the freeze or not).