

3 April 2017

Note from the FTA Director to the FTA Independent Steering Committee

2017 W1+2 allocation propositions from the FTA Management Team

Taking note of the propositions of the FTA Management Team on W1+2 allocations (see Annex 1, separate file) and the FTA POWB 2017 (Annex 2, separate file), complemented by the elements provided in this note, the ISC is invited to:

- a) Endorse the POWB 2017 of FTA as finalized under its oversight and sent to the CGIAR SMO on 20 March 2017;
- b) Review the associated W1+2 allocations propositions per center/partner of FTA;
- c) Advise on the way by which program-level coordination costs should be presented within these allocations;
- d) Advise on contingency plans and ways to deal with the uncertain nature of W1+2 funds and with the fact that the actual level of such funds is only known very late in the year;
- e) Transmit, following deliberation, its recommendations on the above issues to CIFOR's BoT for its approval and decisions.

The following note aims to provides insight on the way the 2017 POWB and the related proposed W1+2 allocations have been constructed by the management team of FTA (section 1). It also provides insight regarding the use of W1+2 as compared to bilateral resources within FTA in 2017 (sections 2 and 3). It also addresses the issue of partners' coordination costs within the Management budget (section 4) and contingency planning (section 5)

1. How have the W1+2 allocation propositions been constructed?

In 2017, contrary to the practice in FTA phase 1, proposed W1+2 allocations were not elaborated by taking into account the amount of bilaterals¹ (for instance by applying proportional schemes with respect to the amount of bilaterals). The amount of bilaterals (secured grants by 20 March

¹ The FTA management decided not to take out any bilateral project "mapped" to FTA, as compared to the list that was crafted at the time of submitting the proposal. The decision was taken to add to this list, based to their relevance to FTA's impact pathways, a series of , new funds have been raised under FP2 (a 42% of increase over the bilateral funding as per proposal) from several sources (IFAD/GEF, IFAD/EU, ACIAR, USAID, Mars and the African Development Bank) for restoration, resilience and food-security oriented works in Africa and for works on commodity tree crop value chains in Africa, on market-based agroforestry in Vietnam and Indonesia, and on oil palm, cocoa and coffee diversification in Brazil and Peru (and the latter funded by USAID through a public private partnership with Natura). Also additional to the proposal, the EU-funded project FORETS, will gather FTA FP 2, 3 and the CapDev cross-cutting theme with the University of Kisangani, to support capacity development in DRC. Most significant additions were to FP 2 (list them) and Cross cutting. The major consequences are explained in the POWB 2017 document (20 march 2017).

2017) is shown in Annex 1 for full information about the level of funding of a FP (or of the SP) and the level of implication of FTA partners in this.

In 2017 proposed W1+2 allocations were constructed at program-level and flagship level based on a proposed set of priority activities aligned with the POWB 2017 of FTA (Annex 2), that they would fund (entirely or partially), and the set of related outputs.

Strategic use of W1+2 funds across FTA, and within FPs, given resource constraints, follows a **priority-setting scheme** designed in January 2017 by the FTA Management Team (MT): (i) activities allowing FTA to function as a programme (programme management, data, MELIA); (ii) Cross-cutting work and flagship work that feed into other FPs; (iii) work leading to IPGs; (iv) work promoting uptake and impact potential; (v) work to strengthen partnerships or generate new ones, (vi) work to generate additional development opportunities and resources, (vii) high quality research that challenges established theories, exploring early leads on where new ideas may emerge

The allocations have been constructed in three steps, to comply with the ISC recommendation on the matter, approved by CIFOR's BoT (Annex 3) and with the constraints set by the SC (8.8M USD as per the financial plan, no W1+2 to FP2), and in alignment with the FTA full revised proposal of 31 July 2017.

- 1) Safeguarding program leadership, management and supporting research costs (the support platform, Annex 3.15 of the proposal) at the level of the proposal, equivalent to 3.8m.
- 2) Allocating a further USD 4 m equally among the four FPs entitled to receiving W1+2 funds (FPs 1, 3, 4, 5: USD 1m each) thereby adhering - *for the last time* as decided by the ISC at its meeting in Paris in November 2017 - to the egalitarian resource repartition per FP of the proposal and requesting FP leaders to provide a list of priority activities based on the priority scheme described above. Coordination time at FP level is included in this allocation.
- 3) Allocating USD 1 m to FPs 1, 3, 4, 5, to fund work on a list of priority activities at the interface of each FP with FP2. Decision on the list of these priority activities was taken collectively by FP leaders, including the leader of FP2, on the basis of their importance for FTA's overall impact pathways.

2. Why are proposed W1+2 allocations crucial to deliver a coherent set of outputs for FTA as a whole, and what are these W1+2 outputs?

W1+2 are the only resources available for strategic use at program-level, all across the program. They are essential to FTA producing IPGs. Without W1+2 funds, FTA can only produce an array of disconnected outputs. W1+2 funds enable a triple integration. *Horizontally* for results that feed into other flagships and research areas and for bringing coherence in methodological approaches, such as enabling the creation of extrapolation domains. *Vertically*, to promote continuity of action along the research to development continuum in FTA's impact pathways. And finally, *through time*, for programmatic learning, extending projects' scientific and development relevance beyond their completion.

Use of different sources of funds in FTA can be broadly separated between 3 categories:

a) **Program-level leadership, management and support**, including communication. Only W1+2 funds can be allocated to this category. Main outputs are the delivery on system-level requests and workstreams (such as inputs to the different CGIAR task-teams and communities of practice; contribution to the preparation of background documents to the SMO, SMB, SC; participation to IEA and ISPC work etc.) and deliverables for planning and reporting (including financial reporting), good governance, leadership and strategic orientation (MSU and ISC), priority setting, external communication and outreach, program-level products (website, reports, policy briefs), internal knowledge management tools, program database and monitoring-evaluation-learning system tools, support for compliance with OA/OD policies.

b) **Program supporting research**: Support platform (SP) on delivering impact and inclusion. The SP has four cross-cutting themes/CCT: (i) Monitoring, Evaluation, Learning and Impact Assessment (MELIA); (ii) gender and youth; (iii) data for impact and (iv) capacity development. All of the bilaterals of the SP and 48 percent of the W1+2 resources is used directly within a flagship (targeted impact assessment studies, gender guidance and mainstreaming on bilateral projects, targeted capacity development, etc). The rest is cross-cutting.

c) Research in the **Flagship Programs**, very dominantly (93%) funded by bilaterals, but where W1+2 enable FTA to cover FP coordination costs, supporting integration (vertical, horizontal and through time) and priorities and complementing the project portfolio by projects that are critical to the ToC. Bilateral resources are currently mapped to FTA on a basis of a “yes or no” decision, following a proposal by a partner, but without assessing any order of priority. It is important to recall that FTA has currently no fundraising strategy as a program, nor does it formally link to the fundraising strategies or policies of the constituting FTA research partners² or of bilateral funders³. As a consequence, and because of different calendars of planning and disbursements, deliberations on W1+2 funding are made in a matter as strategic as possible (due to the flexibility they offer) by taking as “given” secured mapped⁴ bilateral resources.

W1+2 funds directed to management and coordination in the flagships, over time, do indirectly influence the direction of bilateral research: at flagship-level and within the support platform (total of 800k, or 16% of overall FP W1+2) they provide means for senior scientists to discuss jointly future priorities of research, take stock of the lessons learned across a wider portfolio of projects, and this is an important role given the “supply-driven” part of the design of future project proposals and fundraising requests to bilateral donors. This should not be minimized: as a whole, W1+2 funds enable a sounder formulation of future research priorities from the supply side, and better aligned proposals –from inception- for bilateral funding to FTA’s ToC, the CGIAR SRF, and the SDG agenda. Therefore, even if this happens with a time lag, without any “formal” procedure (by design) to influence the orientation of FTA partners’ fundraising priorities, W1+2 funds are an effective, albeit indirect way to align bilateral proposals with FTA’s ToC.

² There has been discussion at the level of FTA management team, with a recognition by FTA centers and partners that they can bring in FTA-related arguments when discussing proposals with their resource partners (based on the above value added at program-level and the alignment of the projects with the SRF and the SDGs etc).

³ Some funders (e.g. the German BMZ) increasingly consider, in the global orientation and design of their calls for funds, the design of the CRP portfolio.

⁴ FTA is working on an improved process for deciding on the inclusion (or “mapping”) of bilateral projects into FTA.

3. FTA has increased its overall funding in 2017 compared to the proposal. Can't this amount of additional bilateral resource compensate for the lower W1+2 funds?

Bilateral resources available to FTA are by definition earmarked to specific projects.

They cannot be used, within a flagship, for other activities that –everything else being equal- could possibly rank higher in the list of FTA priority research as per FTA's impact Pathways and ToC. They cannot be diverted of their project-level destination to fund flagship-level coordination. Also, bilateral resources reflect the priority of individual donors.

As a result of lower W1+2 funds, and deriving from the prioritization, Flagships have dropped activities.

Bilateral resources cannot be used for program-level activities. They are not fungible and not the same “currency” as W1+2 resources for program-level activities. Some of this funding is contributing (2% of mapped bilaterals) to portfolio-level, but none of it to program-level.

While additional bilateral resources that are considered eligible to be “mapped” to FTA, do contribute genuinely to FTA's theory of change and influence, there is currently no assessment (unless a financial metric) to the degree by which they do so. In the future, one could reflect on introducing a simple scale (and process) to measure this. Amount of funding provided is part of the measure, but there might be other dimensions to consider the assessment of the relevance and effectiveness to FTA's ToC. Such a measure could be integrated in overall FTA's priority setting strategy and on the demand side, provide additional incentives to partners and funders to align or fine-tune their bilateral projects to the proposal.

4. Where are the coordination costs for partners accounted for under MSU and why?

Coordination/management costs at program-level are accounted under the MSU. This is first true for the management costs supported by CIFOR to fill its obligations as lead center of FTA, hosting the MSU.

Partners leading a FP were requested to affect all their FTA-related coordination costs at the level of FP they lead, as in fact (i) the totality of their FP-level coordination costs is by definition at FP level, and (ii) the totality of their program-level obligations and related costs result from their status of leading a FP, including exigencies for FP leaders to participate to program level activities such as the MT meetings. This approach also helps to avoid complications for FP leaders in time accounting between program-level and flagship-level coordination and management time.

Other FTA partners not leading a FP are provided a lump-sum allocation of USD 60k each to cover their basic costs of participation in the program, especially staff time, meetings, travels for program-level coordination. This amount was reduced from the level of USD100k proposed in the FTA full revised proposal of 31 July 2017⁵. This cost is accounted under program-level management and support costs.

⁵ FTA full revised proposal (31 July 2017), Page 49: an annual flat allocation of USD 100,000 to each partner for covering the basic costs of participation in the program (staff, meetings, travel, etc.). This might be revised depending on the number of core partners and the level of funding available.

5. What kind of contingency plans could be envisaged, given the uncertainty in W1+2 with the risk that overall funding may go further down, and the fact that knowledge about the actual funding available is known only very late in the year?

Based on the experience from previous years, decisions on final amounts of CGIAR W1+2 disbursements from the CGIAR Fund are announced very late in the year and there is no guarantee that the financial plan for FTA of 8.8M will be respected.

While financial risk management is the primary responsibility of the lead center and FTA partners, contingency planning needs to be elaborated along the program management cycle, from planning to execution. Currently the mandatory programming and planning cycle (including the POWB) of the CGIAR for all CRPs do not include mandatory provisions for risk management, and basically all POWBs are elaborated as if the resources were (i) certain and (ii) distributed in anticipation of the work, both conditions which are not applied..

Uncertain and delayed funding entail question of financial risks, and how they impact the different centers and partners of FTA. This raises questions such as:

- The legal form of the agreement between the Lead Center and partners, to appropriately share and manage risks;
- The disbursement calendars, and the issue of financial risks by the lead center in case of earlier disbursement to FTA partners before the arrival of CG funds, and with no full security of coverage by the CGIAR. These risks would add to the ones the lead center is already taking in ensuring – despite funding uncertainties - its own FTA research and coordination activities, including hosting the MSU.

To inform this discussion, and to organize contingency planning at its own level, the MSU organized an exchange of views. Main points raised are found in Annex 5.

From a management perspective, the following could be envisaged for 2018:

- Priority setting and contingency planning could be linked. Risk management, prioritization under different budget scenarios, and contingency planning could be integrated into the planning and programming phase. The issue of the calendar and timing of disbursement should be included in such planning.
- Calendar-wise, FTA could start its forward planning on work and budget much earlier than current practice (this would need to start well before CGIAR finplans are established, as these are known too late in the year), with the aim to stabilize work plans scenarios towards the end of the preceding year. It will not resolve all the uncertainties, but enable for all partners an earlier start of some of the priority activities, and with an agreement on how to deal collectively with risk. FTA's annual POWB and use of W1+2 funding could be based on scenarios (calibrated on the proposal), while waiting for the SC and the SMO decision on overall financial plans and subsequent ISC/BoT decision on allocation across FTA.
- Pending legal possibilities at the level of the CG and at the level of the lead center regarding budget carryover rules, FTA could consider going towards multi-year funding, building some

resources (for examples from the work that needed to be delayed because of late confirmation of funding) to carry-over to 2018. The carryover funds could be safeguarded to be used as buffer in risk management. Not precluding on the decision of timing of disbursement from the lead center and on a signature of soft agreements between the lead center and FTA partners, FTA management advised during its meeting in January 2017 that FP leaders and their FTA partners should engage only 80% of the resources, with the remaining 20% to be engaged only following increased certainty on W1+2 funding prospects for FTA in 2017. This information may arrive only well into the 2nd semester of 2017 and will depend as well on the W1/W2 relinking rules.

6. FTA would not exist as a program without W1+2 resources. Is there a tipping point where the amount of W1+2 resources is too low for FTA's viability as a research program?

FTA would not exist as a program without W1+2, for the reasons explained above.

For a program weighting close to 80M of research, and with now only close to 10% of W1+2 funding overall, FTA is already operating close to its operational limit as a program.

For a program of this size, lowering program-level resources (W1+2) would lead FTA to get closer to a tipping point below which the viability of the program could be put into question.

Below 8M program-level funding (W1+2), the modalities for flagship-level research funded by program-level resources should be entirely redesigned: for instance, after accounting for an amount/FP for management and coordination, by putting in place internal competitive calls for research projects (4 M could be directed to this –including some resources for the organization of the call- and priorities could be given to inter-FP works, etc.).

A tipping point could be reached below 6M, which would leave only approximately 2M for competitive calls and an amount of W1+2 per laureate equivalent to a small to mid-sized project funding -together with the need to limit to only 2-3 laureates. Solutions would range from decreasing the size and ambition of FTA to enable it to continue work genuinely as a program (and not just as a list of outputs) on a much more limited set of research domains, to seeking other sources of program-level funds.

List of Annexes

Annex 1: W1+2 allocation propositions (20 March 2017) – separate file

Annex 2: FTA 2017 POWB (20 March 2017) – separate file

Annex 3: CIFOR's BoT decisions (December 2016)

Annex 5: List of points raised during the discussion on contingency planning at the management team meeting of 29 March 2017

Annex 3

CIFOR BoT decision of December 2016, regarding allocation rules in 2017 for FTA

On the basis of a recommendation by FTA's ISC (November 2016), the BoT of CIFOR at its December 2016 meeting decided on the following:

Given that the FPs are essentially new, the performance-based allocation process will not be implemented, and a rule will be applied in 2017 to allocate funds with priority to the following:

- Management and leadership costs at CRP and FP levels
- Costs of cross-cutting activities: gender, MEIL, open access, communication, capacity development
- Costs of FPs working collaboratively with FP2 to keep producing most important expected results, as per approved proposal

In event of changes in anticipated allocations FTA management team shall make a recommendation to ISC for a strategic allocation of burden of shortfall/excess funds to the FPs.

Annex 5

FTA management team discussion on contingency planning (29 March 2017) – list of points raised by FTA management team members

Not precluding on the decision regarding the calendar of disbursements (currently unknown) from the lead center and on signature of soft agreements between the lead center and FTA partners, MSU has advised, at the management team meeting in January 2016, FP leaders and their FTA partners to engage in priority activities at the level of 80% of the Finplan, knowing that the remaining 20% would be engaged only when there is increased certainty on W1+2 funding prospects for FTA in 2017. This information may arrive only well into the 2nd semester of 2017.

On 29 March 2017, the MSU organized an exchange of views with FTA management team members on contingency plans that could be envisaged this year and in the future, given the uncertainty in W1+2 with the risk of further budget shortfalls. The MT members highlighted the following issues

NB, at the time of writing this document (3 April 2017) this list of points is draft and might be updated pending further written contributions by MT members.

- The important risk that the partners are facing with regards to pre-financing.
- There is too much uncertainty on the calendar of disbursements
- POWB finalization comes much too late in the year (March in the CGIAR calendar).
- The risk that such contingency plans in FTA influences performance and therefore the need to properly account for implications when assessing the performance, to avoid double penalty. FTA should assess the risk of not delivering on the plan when being very conservative.
- The degree by which, in practice, any priority setting process or contingency planning process should be open and consultative, otherwise FPs/partners may not agree with the decisions.
- Concerns were raised about long transactions currently needed to finalize work plans, and funding uncertainty.
- Partners need to know how the activities they are contributing to are prioritized and how they “rank” in terms of priority in face of uncertainties.
- The fact that from a management perspective, the prioritization of the work calendar-wise should take into account that resources from bilateral projects are certain and W1+2 resources not.
- The need for clarity on budget carryover rules, as the work could start with delay when funding is certain, and allow building resources to carry-over in 2018. The carryover money could be safeguarded to be used as buffer in risk management.
- MT members highlighted the importance of going towards multi-year funding, and asked whether the ISC could discuss this option.