

Minutes

11 April 2017, Teleconference

Present: Anne-Marie Izac (AMI), ISC Chair, Peter Holmgren (PH), Ravi Prabhu (RP), Florencia Montagnini (FM), Vincent Gitz (VG) FTA Director (D/FTA), Monika Kiczakajlo (FTA MSU – notes taking)

Excused Joyeeta Gupta (JG) - vote given to AMI, Yemi Katerere (YK), Alain Billand (AB)

Summary decisions

The purpose of the meeting was to review and discuss the FTA 2017 POWB and the proposed W1+2 allocations to FTA partners as prepared by the FTA management team, to support FTA's 2017 program of work as submitted to the CGIAR on 20 March 2017.

ISC5/D1 ISC unanimously approved the 2017 POWB of FTA (Annex 2 to the meeting documentation).

ISC5/D2 ISC unanimously endorsed the proposed W1+2 allocations (Annex 1 to the meeting documentation) and their alignment with the activities planned in FTA's 2017 Program of Work and Budget (POWB). The ISC Chair will report accordingly to the upcoming CIFOR BoT meeting 25-26 April, recommending approval of the proposed allocations by the Board.

ISC5/D3 ISC emphasized that, in the light of uncertainties in the funding policy of some key donors in 2017, **strategizing on the right signals to donors and contingency planning shall be important issues on its next face-to-face meeting agenda**. To inform this discussion, **AMI and JG requested the D/FTA to develop a contingency plan for a high-risk scenario**.

The Chair opened the meeting welcoming the participants and explaining that JG who is unable to participate gave her vote to AMI. Therefore, a quorum of 5 members was secured and AMI was representing both herself and JG in this meeting.

AMI introduced the rationale of the meeting, viz. discuss and approve proposed allocations of W1/2 for 2017 as well as FTA POWB, and present the recommendation to CIFOR BOT.

AMI recalled the ISC decision made in Paris during its 4th meeting that for the year 2017, first year of the second phase, no performance-based rule for allocations of W1/2 funds will be applied. Instead, W1/2 funds should be allocated in priority to management and leadership costs at CRP level, then to the costs of undertaking crosscutting activities, and to the cost of each of the

4 Flagship Program 1, 3, 4 and 5 to work collaboratively with FP2, which was excluded from W1/2 funds in 2017 as per the SC decision. A further constraint was the 20% reduction of W1/2 allocation to FTA in 2017 (USD 8.8m). D/FTA was requested by the Chair to explain the approach used to develop proposed allocations of W1-2 funds, and the differences with regard to the practice in Phase 1. VG explained that a consultative and transparent process was used to arrive at a set of priority activities given the 3 steps explained in the background note. In a departure from practice in FTA phase 1, allocations are not based on the amount of bilateral resources/projects that partners map to FTA. Rather, allocations, given the 2017 POWB and budget constraints, are the result of a bottom-up selection of priority activities, within the FPs and across the FPs. This selection followed the seven priority principles elaborated by the MT during their January 2017 face -to- face meetings. As each activity calls differently on the different FTA partners, the total allocation to each FTA partner, in every FP, is equal to the sum of its participation to the different activities. This approach produced a priority set of activities needing W1+2 funds. This is also in line with different requirements by the SMO on providing more details to donors on the use of W1/2 resources (for instance their contribution to outputs and outcomes).

AMI mentioned that the allocations proposed make sense, given the POWB 2017 and can for the first time be justified in terms of expected outputs and outcomes.

VG recalled that the ISC requested him and the MT to come up with a fully blown prioritization process for the next POWB, and that this will be discussed at next ISC meeting end June 2017. So this budget allocation was a first step towards this process.

AMI pointed that FTA should have priority based and performance based processes in place for 2018 W1/2 allocations. It would require revisiting what was done last year, drawing lessons and improving the performance based process.

RP is willing to endorse the budget, noting that these allocations are the best that could be developed under the difficult circumstances and recognizing that the FTA MT made the best of a challenging situation. Ravi pointed out that the big question is which level of W1+2 allocations for FTA will be realized in November 2017. The centers are still very exposed as there is no certainty that expected funding will materialize towards the end of the year.

FM also endorses the proposed allocations presented by VG. She observed that the budget was developed in a very collaborative and well thought process. She thanks the MSU for the transparency in communication.

PH congratulated D/FTA and the MT on preparing these allocations, which he endorses, considering it a very good result in difficult circumstances. PH highlighted that the critical discussion would be on how to strategically face possible reductions of W1+2 funds during the year.

AMI related that Joyeeta, with whom she held a discussion before the meeting, also endorsed the allocations. JG was concerned that not sufficient W1/2 funds were allocated to non-CG partners. AMI also mentioned that such a message was also presented in a PPT slide of Ren Wang from FAO, which indicates that FTA invests less in partnerships outside the CGIAR than any other CRP. VG clarified that the slide of FAO is inaccurate and FAO might have arrived to wrong conclusions. VG is working with Kumar to get the right data and is in contact with FAO so that the slide can be corrected.

AMI indicated that JG mentioned that it would be useful to know the overheads charged by each partner institution of FTA. AMI agreed that it would increase the transparency and that therefore FTA MSU could compile such a table.

AMI is fully willing to endorse the allocations proposed by D/FTA and the MT. Linking W1/2 allocations to the activities, outputs and outcomes is very strategic and shows FTA is reacting as

positively as possible to the challenging financial situation. She mentioned that in 2018 performance assessment will be integrated to priority setting when developing W1-2 allocations.

AMI summarized that the ISC unanimously endorses the FTA W1/2 allocations for 2017 proposed by D/FTA and the MT. ISC Chair will strongly recommend to CIFOR BoT to approve 2017 allocations.

POWB 2017

AMI pointed out that the final version of the POWB document submitted to the SMO is very much amended as a result of the review of the ISC on an interim document, and follow-up interactions of D/FTA with the ISC Chair. Additionally, it also benefited from the comments from the SMO. AMI mentioned that this FTA POWB is an excellent first beginning in our ambition to fully align priorities and budget. Therefore, the ISC Chair proposed to approve 2017 POWB.

RP endorses the POWB, considering it is good document, useful for partnerships. RP noted that FTA is improving in terms of partnerships comparing to Phase 1. Ravi expressed his concerns about the value of the kind of interactions we currently have with the CGIAR system office, with respect to the value of the partnership. He mentioned that transactions costs continue to mount in dealing with the different SMO requests, as opposed to what the CRP gets in return.

FM is willing to endorse the POWB 2017 with no comments.

PH endorses the POWB. PH raised a point to be considered during the ISC June meeting, namely that, in the current funding landscape, FTA should be careful in presenting overall budgets that make the program appear in a good financial shape despite reduction of W1/2 allocations, when in fact it is not. This may lead to attracting even less W1/2 funding. What signal does the scaling-up of bilaterals give? He called for a tactical and strategic discussion on that topic at next ISC meeting.

AMI agreed with the remark of PH, and that there is a need to find the best ways of presenting things, including on what is going to be dropped anytime there is a decrease in W1-2 funds. RP also agreed with PH's remark that the POWB is sending a contradictory message, namely that partnership continues to be strong without CGIAR funding. Therefore, it is important to indicate the challenges deriving from the reduced W1/2 budget. Additionally, he observed that a program able to continue regardless of W1/2 funding is a sign of a strong partnership. In that regards, Ravi indicated that it would be important to reflect on what FTA means as a research partnership per se, versus what FTA means as a CGIAR Research Program. Also, what does it mean to be a CGIAR research program today with respect to 2010?

AMI agreed that the ISC will need to discuss the implications of what it means and what it brings to be the CGIAR research program, in the current funding environment, and in the international research environment. The situation may be totally different now than at the inception of CRPs.

PH added that as part of the full blown prioritization process to be elaborated, the ISC should also consider how FPs should be differently affected by overall budget constraints. This could also be included in the contingency plan. AMI confirmed this point will be taken to the June ISC meeting.

AMI concluded that the **POWB 2017 is endorsed unanimously**, congratulating the D/FTA and the MT on hard task conducted in difficult circumstances.

Contingency plans

AMI clarified that there is no need to make a decision immediately on contingency plan; however, this is a discussion that should continue since financial risk management is crucial for a CRP in the current financial environment. The background document on contingency plans prepared by the D/FTA and the MT proposes an approach under more or less normal fluctuations. There is however a not insignificant probability that US funds may be reduced significantly. The same situation applies to the UK Dfid funding. The FTA Program needs a contingency plan that can be applied under different scenarios. **AMI (and JG) requested D/FTA to develop such a plan for a high risk scenario, for the June meeting.**

D/FTA agreed that FTA needs to consider that there are different levels of uncertainty within the Program and that bilateral funds are more certain than W1/2. In January during the management team meeting, D/FTA gave a heads up to FP and CCT Leads to carefully plan activities with possibly operating at 80% until more is known about full funding prospects, knowing that financial risk has to be borne by the different partners of FTA, and that risk aversion and pre-financing capacity may vary across them. The level of 80% was chosen because this was the level of reductions that FTA suffered in 2016. VG mentioned that recent decisions of the SMB on W1+2 relinking rules might necessitate to revisit such approaches.

PH mentioned that there are different levels to consider in this discussion on contingency plans. The first one is internal to FTA: which final internal allocations in case the funds do not materialize during the year. The other level concerns the discussion with other entities, including within the CG. FTA should reflect what message it sends to the SC and the SMB. Is it a good or bad tactic to show that FTA is under risk? Is it good or bad to depict FTA as a strong partnership regardless of W1/2 funds, being able to operate on its own? FTA presented its POWB with close to 90% of external resources; this is a big shift. It may send strong signal of being successful in fundraising, but at the same time a mixed signal regarding the importance of W1+2 CGIAR funding.

RP acknowledged, mentioning the importance of the topic, and that it should be discussed in June.

FM recommended not to spend too much time in trying to guess what the donor environment will be or what may happen, if we do not have the information, but rather to focus on what is within the control of FTA. Contingency plans should be discussed in June when there is more clarity.

Conclusion

AMI reviewed the decisions made during this meeting and requested the director, FTA to prepare the relevant documents to be transmitted to CIFOR BoT. AMI will send to the ISC her draft PowerPoint CIFOR board presentation for comments.

AMI informed that she will also make a recommendation to CIFOR BoT to extend by one year the four independent members of the ISC. This is due to the fact that there is no process for replacement in place yet and this process will be crafted in the coming months and proposed to the CIFOR BoT with the aim to have the BoT deciding by the end of 2017 on the next independent membership. CIFOR HR will prepare with the MSU the proposal that AMI will share with the ISC.

AMI closed the meeting thanking everyone for being able to attend and contribute.

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