

## **PIM Financial Management Policy Effective July 18, 2020**

### **Introduction**

The “PIM Financial Management Policy, Effective July 1, 2019” is no longer applicable. Taking into account lessons learned from the implementation of this policy as well as the special circumstances of the year 2020 (coronavirus pandemic), a new policy was approved by the PIM Management Committee in July 2020, as described below.

The 2019 Financial Management Policy, which allowed carryover from 2019 to 2020 of a small portion of an activity’s 2019 W1-2 funding based on a justification to be approved by flagship leaderships and the Program Management Unit, turned out to generate very high transaction costs. Therefore, the 2020 policy is simpler. In addition, PIM management acknowledges the need to provide increased flexibility in spending schedules to the beneficiaries of PIM Window 1-2 funding in light of the COVID-19-related uncertainties; this is reflected in the 2020 policy.

### **Dissemination of this policy**

This policy update will be shared with the PIM flagship/cluster/project leaders, flagship managers, Center representatives, Center financial officers, and Principal Investigators (PIs) of cross-cutting W1-2 allocations (partnerships, capacity building).

### **PIM Financial Management Policy**

- *Handling of unspent 2020 Window 1-2 funding amounts going into 2021*
  - ❖ General rule

There is no possibility of carryover at activity level of Window 1-2 amounts allocated in 2020 and which will not be spent by end 2020.

Estimated unspent amounts, based on projections done at activity level in August 2020 with inputs from Centers’ Finance Officers and PIs, will be aggregated at flagship level. The flagship-level estimates will be validated between the Program Management Unit and the flagship leaderships. Each flagship will keep 75% of its estimated unspent amounts to carry over in 2021. These unspent amounts will be added to the new 2021 W1-2 amounts available to the flagships.

For the purpose of this calculation, 2020 unspent amounts correspond to the portion of new 2020 allocations – including mid-year additional allocations – that has not been spent in 2020 (not including any budget amount carried over from 2019 to 2020). Any unspent amount at activity level from a 2019 allocation carried over to 2020 will go back to the common pool (no portion of the unspent kept at flagship level) for re-allocation in 2021. (At activity level, if there are 2019 carryover funds and new 2020 funds, we assume expenses will first draw down the 2019 carryover funds).

In October, the PMU will review 2020 expenditure data through September and, in consultation with flagship leaderships, make final modifications to flagship-level unspent amounts. The distribution of the flagship's 2021 W1-2 funds (total amounts aggregating the portion of the 2020 unspent amount kept at flagship level and the new 2021 amounts) between activities delayed from 2020 and new activities will be done by flagship leaderships in consultation with the Program Management Unit and in accordance with the "Guidelines for the PIM annual Window 1-2 budget allocation process". PIs of delayed 2020 activity plans will need to submit updated activity plans for 2021 should they wish to complete these activities.

For the purpose of this policy, W1-2 cofinancing amounts are handled in the same way as "regular" W1-2 allocations.

#### ❖ Exceptions

Decisions about how to handle unspent W1-2 funding allocated to non-CGIAR "managing" partners (KIT, MSU, Oxford University, WUR) are taken by the PMU on a case by case basis. Carryover of all or a portion of the unspent funding at activity level may be authorized.

Any unspent amounts from W1-2 grants allocated in June 2020 as part of the COVID19 research call will revert to the common pool (no portion of the unspent kept at flagship level) for re-allocation in 2021.

In 2020, W1-2 "cross-cutting" funding was allocated to capacity building (one activity) and partnership development/management (one activity) outside of flagships. For these activities, up to 75% of the activity's 2020 unspent funding may be carried over to 2021 at activity level.

For other management-type W1-2 funding (PMU funding, flagship management support funding, flagship management funding for flagship and cluster leaders), all 2020 unspent funds will revert to the common pool (no portion of the unspent kept at PMU or flagship level) for re-allocation in 2021.

- *Activity plan changes and cross-activity transfers during 2020*

PIs and flagship leaderships have been provided with several opportunities to amend 2020 activity plans and transfer budgets between activities until July 2020. Therefore, no transfer of fund between two activities will be allowed after August 1, 2020. The only exception to this rule pertains to transfers from a flagship's reserve to provide cofinancing to a newly approved bilateral/W3 activity – those may be authorized after August 1, 2020.

Changes that may occur to activity plans between August and December 2020 due to the coronavirus situation will be accounted for at reporting time.

#### **Questions and further information**

Questions on this policy should be sent to Frank Place, PIM Director, at [f.place@cgiar.org](mailto:f.place@cgiar.org) and Pascale Sabbagh, PIM Program Head, at [p.sabbagh@cgiar.org](mailto:p.sabbagh@cgiar.org).

## Annex: Example of calculations in implementation of the policy

Flagship x has 4 activities in 2020:

| Activity ID | 2019 carryover to 2020 | New 2020 (initial) budget | New 2020 (additional) budget | 2020 expense (as projected in August 2020) | Portion of the 2020 unspent kept at flagship level |
|-------------|------------------------|---------------------------|------------------------------|--|--|
| 1           | 10                     | 0                         | 0                            | 6  | 0  |
| 2           | 0                      | 100                       | 10                           | 80   | 22.5   |
| 3           | 5                      | 40                        | 0                            | 30   | 11.25  |
| 4           | 10                     | 30                        | 5                            | 8  | 26.25  |

Activity 1: In 2020 the activity is funded only by carryover from 2019. The unspent funds ( $10 - 6 = 4$ ) are not allowed to be kept at flagship level for use in 2021.

Activity 2: The “new” 2020 budget is  $100 + 10 = 110$ . The expense is 80, leaving an unspent amount of 30. The portion of the unspent kept at flagship level for use in 2021 is 75% of 30 = 22.5.

Activity 3: The “new” 2020 budget is 40. The expense is 30, out of which 5 is coming from the 2019 carryover. The 2020 unspent is  $40 - (30 - 5) = 15$ . The portion kept at flagship level for use in 2021 is 75% of 15 = 11.25.

Activity 4: The “new” 2020 budget is  $30 + 5 = 35$ . The expense is 8, which is lower than the 2019 carryover. The remaining portion of the 2019 carryover ( $10 - 8 = 2$ ) cannot be kept at flagship level. The 2020 unspent is 35. The portion kept at flagship level for use in 2021 is 75% of 35 = 26.25.

In total the flagship can keep  $0 + 22.5 + 11.25 + 26.25 = 60.0$  for use in 2021.