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ANNEX

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*to the*

COMMISSION DECISION

**Authorising the use of financing not linked to costs for the action “Sustainable Aquatic and Agricultural Food Systems – EU contribution to CGIAR” under the multiannual action plan for the thematic programme on Global Challenges (Prosperity) for 2022-2023 part 2 financed under the Neighbourhood, Development and International Cooperation Instrument – Global Europe**

## Annex

### 1. Form of Union contribution

The use of the Union contribution in the form of financing not linked to costs is authorised for the action “Sustainable Aquatic and Agricultural Food Systems – EU contribution to CGIAR”, implemented under the Multiannual Action Plan for the thematic programme on Global Challenges (Prosperity) for 2022-2023 part 2.

The maximum amount of the Union contribution through financing not linked to costs is EUR 140 million. The Union contribution will be disbursed in multiple yearly instalments. The release of any installment by the EU shall be made solely in accordance with the conditions provided for under the [Legal Agreements related to CGIAR Trust Fund](#)<sup>1</sup>.

The Union contribution is expected to support the delivery of multiple benefits across five impact areas, aiming for net positive impact on: (i) Nutrition, health & food security; (ii) Poverty reduction, livelihoods & jobs; (iii) Gender equality, youth & social inclusion; (iv) Climate adaptation & mitigation; and (v) Environmental health & biodiversity, as described in the [CGIAR Performance and Results Management Framework 2022-2030](#). For each of the five impact areas, CGIAR will contribute to collective global 2030 targets for transformation of food, land and water systems across local, regional and global levels. In support of these global targets, all CGIAR Initiatives will use common impact indicators to link their results in the spheres of control and influence to the five impact areas and SDGs. Several common impact indicators have been proposed for each of the five impact areas. Global 2030 target and common impact indicators are as follows:

Impact	Targets	Proposed common impact indicators attributable to CGIAR
Nutrition, health & food security	<p>End hunger for all and enable affordable healthy diets for the 3 billion people who do not currently have access to safe and nutritious food.</p> <p>Reduce cases of foodborne illness (600 million annually) and zoonotic disease (1 billion annually) by one third.</p>	<p>#people benefiting from relevant CGIAR innovations</p> <p>#people meeting minimum dietary energy requirements</p> <p>people meeting minimum micronutrient requirements</p> <p>#cases communicable and non-communicable diseases</p>
Poverty reduction, livelihoods & jobs	<p>Lift at least 500 million people living in rural areas above the extreme poverty line of US \$1.90 per day (2011 PPP).</p> <p>Reduce by at least half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.</p>	<p>#people benefiting from relevant CGIAR innovations</p> <p>#people assisted to exit poverty</p>

<sup>1</sup> [https://storage.googleapis.com/cgiarorg/2022/11/Pack-legal-agreements-re-CGIAR-Trust-Fund\\_Jan2022.pdf](https://storage.googleapis.com/cgiarorg/2022/11/Pack-legal-agreements-re-CGIAR-Trust-Fund_Jan2022.pdf)

<p>Gender equality, youth &amp; social inclusion</p>	<p>Close the gender gap in rights to economic resources, access to ownership and control over land and natural resources for over 500 million women who work in food, land and water systems.</p> <p>Offer rewarding opportunities to 267 million young people who are not in employment, education or training.</p>	<p>women’s empowerment and inclusion in the agricultural sector</p> <p>#women benefiting from relevant CGIAR innovations</p> <p>#youth benefiting from relevant CGIAR innovations</p> <p>#women assisted to exit poverty</p>
<p>Climate adaptation &amp; mitigation</p>	<p>Implement all National adaptation Plans (NAP) and Nationally Determined Contributions (NDC) to the Paris Agreement.</p> <p>Equip 500 million small-scale producers to be more resilient to climate shocks, with climate adaptation solutions available through national innovation systems.</p> <p>Turn agriculture and forest systems into a net sink for carbon by 2050, with emissions from agriculture decreasing by 1 Gt per year by 2030 and reaching a floor of 5 Gt per year by 2050.</p>	<p>#tonnes CO2 equivalent emissions</p> <p>#plans with evidence of implementation</p> <p>#\$ climate adaptation investments</p> <p>#people benefiting from climate-adapted innovations</p>
<p>Environmental health &amp; biodiversity</p>	<p>Stay within planetary and regional environmental boundaries: consumptive water use in food production of less than 2500 km<sup>3</sup> per year (with a focus on the most stressed basins), zero net deforestation, nitrogen application of 90 Tg per year (with a redistribution towards low-input farming systems) and increased use efficiency, and phosphorus application of 10 Tg per year.</p> <p>Maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed genebanks at the national, regional and international levels</p>	<p>#ha under improved management</p> <p>#km<sup>3</sup> consumptive water use in food production</p> <p>#ha deforestation</p> <p>#Tg nitrogen application</p> <p>#plant genetic accessions available and safely duplicated</p>

In order to monitor the progress made in the achievement of the results contained in the Strategic Results Framework, the CGIAR secretariat has confirmed that the EU as a donor may request the CGIAR Board to provide relevant information at fund level including on implementation issues that may come to the EU’s attention outside of the Fund’s reporting framework. More specifically, article 11.5.2 of Annex 2 Standard Provisions to the Funding Agreement states as follows: “The System Organization will provide to Funders, and will require Center to provide to it or to Funders as the case may be, upon reasonable request, all

information reasonably available to it relevant to the implementation and progress of the CGIAR Research”.

Building on investments made in the current phase of CGIAR research programming, the comprehensive, mature and accessible Performance & Results Management System that encompasses planning, monitoring, and reporting provides robust information upon which to take informed decisions. It is available to Funders and partners to access evidence of CGIAR thematic and geographic presence and progress against stated objectives.

## **2. Justification**

### **2.1. Nature of the supported actions**

CGIAR (formerly known as the “**Consortium Group on International Agriculture Research**”) is one of the most prominent international research bodies addressing food security and food systems challenges. Its mission is to “advance agricultural science and innovation to enable poor people, especially women, to better nourish their families and to improve productivity and resilience so they can share in economic growth and manage natural resources in the face of climate change and other challenges.” CGIAR therefore aims at reducing rural poverty, increasing food security and improving human health and nutrition as well as the sustainable management of natural resources.

CGIAR is a network of research centers from the Global South collaborating with national and regional research institutes, civil society and development organizations, academia and the private sector. It intervenes in more than 100 countries and manages approximately 10,000 staff with an annual budget around USD850-900 million. Those resources originate from different funding windows, including pooled funding through a World Bank managed Trust Fund (the so-called Financial Intermediary Fund).

In addition to being an important contributor to the CGIAR, the EU (including the EC and Member States) is also part of its governance structure as one of the System Council funders. As such, the EU has positioned itself as a strong proponent of the ongoing reform towards OneCGIAR aiming at streamlining its governance and at developing a more coherent research and innovation portfolio. The EU has also been able to contribute to some extent to the CGIAR priorities setting ensuring maximum alignment with its own. However, to be seen as a key international player able to influence in a substantial way the design of the overall CGIAR strategy and research portfolio, as set in the core CGIAR Research and Innovation portfolio, the EU should contribute to the pooled funding governed by a World Bank-managed Trust Fund (as a Financial Intermediary Fund). While significantly enhancing the EU’s collaboration with other CGIAR funders and in particular with other EU Member States, which are or intend to be pooled funders, such a contribution would allow the EU to further align the CGIAR research agenda with the objectives of the NDICI-Global Europe and to support the achievement of the Union’s policy and political objectives, such as the EU Green Deal and related R&I agenda in CGIAR. By intervening at thematic and geographic levels (from global to local), the EU would be better positioned to support the achievement of the SDGs (in particular 1, 2, 5, 13, 14 and 15) and the 2030 Sustainable Development agenda as a whole. Last but not least, as an increase in pool funding is seen as an important enabler of the OneCGIAR reform with an ambitious 50% target, the EU’s contribution to the pool fund would be an additional token of consistency from the EU side.

Pooled funding to the CGIAR Trust Fund amounted to around US\$ 574 M over the years 2019, 2020 and 2021. No funding was contributed from the Union budget. In 2022, the CGIAR pooled funding reached \$281 M; of which \$7,5 M (about 3% of the total) was expected to be contributed by the EC in early 2023<sup>2</sup>. Therefore, an increased contribution could be made in

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<sup>2</sup> <https://www.cgiar.org/funders/trust-fund/financing-plan/>

2023 as part of the CGIAR pooled funding for 2023 (\$303 M, projected) as a first step towards fulfilling the EU financial pledge of €140 M to the CGIAR announced by European Commission President Ursula von der Leyen at the Global Citizen Live event on the 25th September 2021 and as a major opportunity to promote within CGIAR new vision and approaches needed to scale up nature-based solutions and ecosystem-based approaches to improve productivity and respond to economic, social and environmental sustainability challenges.

## 2.2. Risks of irregularities and fraud and costs of control

The CGIAR has put in place a system of checks and balances described below to prevent irregularities and fraud, thus ensuring that the risks of irregularities and fraud and the costs of control in relation to financing not linked to costs are limited. Moreover, under contribution and funding agreements and after consulting System Organization, any funder may suspend payments if funds are not used in accordance with applicable agreements.

The Board of the CGIAR System Organization has ultimate responsibility for ensuring that the CGIAR System Organization has in place appropriate risk management and internal control systems and practices, and for determining the nature and extent of risk it is willing to take for the organization to achieve its strategic objectives. The schedule of periodic Board meetings ensures that timely information on risk is provided for the Board to discharge its responsibilities. Based on the [CGIAR System Risk Management Framework](#), the CGIAR System Organization collaborates on risk management across CGIAR.

The CGIAR Centers' management is responsible to identify, evaluate and manage risks within their remit. Ethics related risk including fraud, financial irregularities and interpersonal misconduct are acknowledged as a key area of focus for the CGIAR Centers and therefore form part of the Centers' risk registers together with mitigations actions aiming to prevent and combat financial irregularities, fraud, and interpersonal misconduct. A formal evaluation of key risks across CGIAR and sharing relevant information with the Board's Audit Finance and Risk Committee takes place twice a year.

The Board of the CGIAR System Organization, as well as the Boards of all Centers implementing CGIAR Research with pooled funding, benefit from the service of the Audit and Financial Risk Committee (AFRC), a standing common committee of the Boards. The AFRC provides Boards with reasonable assurance of performance of internal audit for each of One CGIAR's legal entities; delivery of independent external audit for Board approval; reasonable assurance of the integrity of financial information; oversight systems of risk management, an internal control framework and an ethics framework; and oversight compliance with applicable laws, regulations and codes of conduct. The AFRC provides the Board of the System Organization, specifically, with reasonable assurance of adequate internal audit capacity, system-wide governance, risk management and internal controls across the CGIAR System. The AFRC is advised by specialized functions covering risk, internal audit, and ethics.

To ensure accountability, CGIAR welcomes reporting of any illegal or unethical conduct (e.g. corruption, fraud, misuse of resources, abuse of authority, etc.) by anyone associated with its work. Reporting mechanisms, including whistleblowing hotlines, are available to staff, partners, contractors, suppliers and anyone else who interacts with CGIAR, including the public at large.

The Funding Agreement and Financial Framework Agreement, described below, include Standard Provisions that address a wide range of prohibited practices and required reporting and recourse in the instance of irregularities, including: Prevention of Financial Irregularities (para 7.1); Requirement to Inform in Respect of Financial Irregularities (para 7.2); Cooperate with Investigations (para 7.3); Corrective Actions in Respect of Financial Irregularities (para 7.4); Drug Trafficking (para 9.3); Terrorism (para 4); and Return of Funds (para 16).

Centers are obliged to refund misused or unspent funds to the CGIAR Trust Fund, the reallocation of which would be approved by the CGIAR System Board and CGIAR System Council.

Pursuant to the Funding Agreement, the System Organization is required to, and will require, Centers and non-Center participants to cooperate fully in the investigations of financial irregularities with respect to the administration and use of all funds flowing through the CGIAR Trust Fund and implementation of CGIAR research, whether the investigation is led by the System Organization or an individual Funder to the Trust Fund. Therefore, entities working on the EC's behalf, such as the EPPO, OLAF and the Court of Auditors, can rely on such cooperation from the System Organization, the Centers, and any contracted program participants, when seeking to investigate irregularities.

Similarly, the Funding Agreement requires the System Organization, the Centers and program participants to collaborate on “any audits, financial reviews or programmatic reporting conducted in connection with CGIAR Research activities.” Funders will “manage their audits, financial reviews and programmatic reporting” with respect to the CGIAR Trust Fund “collectively through the System Council, including relying on the CGIAR Policies”.

However, in the case of pooled funding, a Funder may request, on an exceptional basis, that the System Organization, a Center or a non-Center participant be subject to an external audit or provide additional financial reviews or programmatic reports, the cost of which would be paid by the Funder. Therefore, the EC, and entities working on the EC's behalf, can rely on these provisions of the Funding Agreement to request additional information and conduct audits.

The annual assurance letters signed by each Center Board and submitted to the CGIAR System Organization, in addition to the attestation of proper use of funds and application of proper controls, also include a summary of reporting to the System Board if any, of irregularities and corrective actions taken during the year. Should a funder request an additional audit or financial review of the use of pooled funding, the System Organization and the Centers will cooperate with such a request as provided in the Standard Provisions (para 11.6).

### **3. Sound financial management**

Current agri-food systems, based on large-scale production and an intensive use of external and commercial inputs, are unable to meet the world's demand for food both in quantity and quality leading to unacceptable levels of food insecurity and malnutrition and to a steep increase in obesity and diet-related non-communicable diseases. They also fail to provide decent incomes and livelihoods to many small-scale farmers, who are still producing most of the food consumed globally. They are responsible for over a third of total greenhouse gas emissions and contribute to significant land use change, massive deforestation and soil degradation, unprecedented loss of biodiversity and high levels of air, water and soil pollution, which are both consequences and major drivers of climate change as well as food and nutrition insecurity.

These tensions are likely to increase as food systems will continue to face multi-dimensional, complex and mounting challenges including continued population growth, urbanization, political conflicts, climate change and increased pressure on natural resources (land, water, biodiversity) and ecosystem functions. They call for an urgent and “profound transformation in what is produced and how it is produced, processed, transported and consumed [...] at all scales to ensure appropriate food production and reduce losses and waste, while also safeguarding human and environmental health, political stability and better livelihoods with less environmental consequences”, as advocated by the High Level Panel of Experts (HLPE) on Food Security and Nutrition of the Committee on World Food Security (CFS) in July 2019<sup>3</sup>.

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<sup>3</sup> See report HLPE Report no. 14 “Agroecological and other innovative approaches for sustainable agriculture and food systems that enhance food security and nutrition”, July 2019.

This is critically important for global-south nations, which are among the most vulnerable to climate change impacts while experiencing the highest levels of poverty and food and nutrition insecurity globally. The EC, through its engagement towards achieving the 2030 Agenda for Sustainable Development, is committed to supporting them to successfully transform their agriculture towards more sustainability and resilience.

Through its increased contribution to CGIAR as per the European Commission President's €140 M pledge of September 2021, the EC intends to support this agenda, which is fully in line with its own priorities including the European Green Deal, its Farm to Fork and Biodiversity strategies, the Circular Economy Action Plan and the recent Communication on "Ensuring availability and affordability of fertilizers". Those policies are articulated around the urgency to address issues linked to climate change and environmental degradation that the EU sees as existential threats to Europe and the world.

More specifically, the EC has identified certain CGIAR Action areas close to its own priority agendas where its investments are likely to make a difference and to have a comparative advantage in contributing to supporting valuable sustainable innovation processes. Those include the one on "Systems Transformation" that focuses, inter alia, on specific themes and impacts such as: climate change, biodiversity, sustainability, and resilience; better nutrition and healthy diets; inclusion, food security and poverty. The EC funding is also important, in the Action area dedicated to "Resilient Agrifood Systems" under which research specifically addresses the need to increase sustainable agricultural productivity as well as the availability of safe, nutrient-dense foods; reduce threats to human health; improve the environmental footprint of agrifood systems; increase the resilience of smallholder agriculture; and reduce social inequalities. The focus includes mixed farming systems and horticulture, linking closely with the work on sustainable healthy diets in the Systems Transformation Action Area.