

**CONSULTATIVE GROUP ON INTERNATIONAL AGRICULTURAL RESEARCH
COMMITTEE OF BOARD CHAIRS AND CGIAR SECRETARIAT**

**Report of the
Stripe Review of Corporate Governance of CGIAR Centers**

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EXECUTIVE SUMMARY

The Review Panel was established jointly by the Committee of Board Chairs (CBC) and CGIAR Secretariat to assess the governance structure, processes and practices of center boards against the backdrop of the best practices prevalent in the corporate and non-profit sectors, and to recommend steps to improve the effectiveness of board governance. A survey of board members, CGIAR members and other relevant stakeholders, followed by interviews with a sub-set of the stakeholders, and a review of relevant documents were the methods used by the Panel to gather information for this review. The major findings of the review are the following:

- ❖ Several center boards have taken steps to improve their governance practices in recent years. Nevertheless, significant gaps exist in some of the boards, especially with respect to their oversight of strategy and finances. Their practices lag behind global best practices in these functions. Factors such as infrequent board meetings, lack of timely information, inappropriate mix of skills, and mismatch between financing patterns and the requirements of strategy have contributed to this outcome.
- ❖ While the board composition in terms of the representation of stakeholders and diversity is on the whole balanced, there is scope for the reduction of the number of host representatives and CG nominees on the boards. Board size in some cases is larger than warranted when judged by the need for cohesion and focus. Some center boards meet only once a year, making it difficult for members to discharge their responsibilities effectively.
- ❖ CGIAR's orientation and leadership development courses are appreciated by the boards. But there is increasing concern on the part of board members that CG's oversight mechanisms such as the Science Council, ExCo and the Secretariat may be placing undue administrative burdens on the centers.
- ❖ Board practices in respect of self assessment and the evaluation of the Director General are not participatory and thorough in all cases. Follow up actions on EPMRs by some of the boards are not timely, and warning signals of impending troubles are not heeded by the boards in all cases.
- ❖ Board accountability to its stakeholders is not easy to enforce due to the inherent limitations in the larger CGIAR System that supports and finances the centers. When board governance falters or fails, speedy remedial action to enforce accountability is difficult under these conditions.
- ❖ In summary, while the governance practices of boards compare favorably with global best practices in some respects, the challenge for the CGIAR is to remedy the areas of weakness and unevenness of practices among the centers that are highlighted in this report.

The Panel came up with 31 recommendations. These recommendations are presented in detail in Chapters 4 and 5 and a full list is included in Chapter 6. The most important ones are summarized below:

A. Board Structure, Size, Composition

- ◆ The center board needs to reflect the range of diversity in the CGIAR stakeholders and at the same time it should have the needed mix of skills to ensure that their functioning will be effective and efficient. At a minimum, two persons with adequate financial, business and accounting knowledge and experience should be members on every board. At least three members with science or science management background should be available to a board.
- ◆ The frequency of board meetings should be determined by the nature and scope of the business to be transacted. Given the mix of functions of center boards, the Panel recommends that full board meetings should be held at least twice a year. In addition, two more meetings may be required to review quarterly reviews of finances and programmatic matters. In order to minimize costs, these additional meetings may be conducted through telephonic or video conferences or through delegation to an executive committee that reports back to the full board.
- ◆ The proposals above may increase the time and attention that members may be required to give their boards. It will most certainly demand more time from the chairpersons of boards. This may necessitate a review of the compensation of Board members due to the increase in accountability, responsibility, expertise, and time required of them. This would apply, in particular, to board chairs and committee chairs.
- ◆ The duration of a member's term on a board should not exceed six years. The current practice of most boards to renew a member's term after three years is a sound one. It is important, however, that boards review more rigorously members' contributions before confirming them for a second term.
- ◆ Keeping in view the need for a board that is compact, accountable and well focused on governance, it is recommended that the size of the board should be between nine and eleven members, excluding the DG (*ex-officio*). A smaller board enhances the chances of synergy, participation, and focus. The Panel offers this as a guideline to be adapted to the needs of the centers.

- ◆ Consistent with their international status and mandate, centers serve many countries and, in many cases, more than one region. Center boards, therefore, need to have members from different regions and backgrounds. Hence, host country representation on a board should be limited to one nominee.
- ◆ A similar rationalization of CGIAR nominees on boards is also in order. Presently, the number of nominees varies widely, the maximum being eight. It is recommended that the number of CGIAR nominees should not exceed two unless there are legal problems that may cause a center to lose its international status or privileges.

B. Role of Boards in Strategy Setting and Performance Oversight

- ◆ Limitations of time and the overload and urgency of the operational programs of centers often lead to a relative neglect of strategic functions in some of the boards. It is imperative that this imbalance is rectified by providing adequate time and resources to the boards to perform their strategic functions of planning, review and oversight.
- ◆ Boards need to strengthen their role in ensuring that centers' strategy fits well with the overall CGIAR priorities and strategies. This will require boards to ensure that there is a process in place that encourages management to embark only on programs or projects that are aligned with the agreed upon priorities.
- ◆ Board's oversight of performance should use the MTP as the starting point. An important function of the board is to see to it that the annual program and resources allocated to it are consistent with the specific objectives stated in the MTP relevant to the review. .
- ◆ An important function of the board is to assess the risks associated with the Center's programs, finances, human resources, management systems, and general operating environment. Risk assessment statements should accompany all documents on programs presented to the board. When the annual accounts and report are presented to the board, the DG and chief financial officer or Director of Finance should present a due diligence certification.
- ◆ The financial approval/spending limits delegated to the DG and other senior officials should be authorized by and made known to the full board. DG should submit an annual or periodic report on such expenditure to the board. A similar practice should be adopted for the chair.

C. Board Renewal

- ◆ CGIAR and center board orientation programs, executive leadership courses, and other development programs for new board members are critical for their effectiveness and better understanding of the CGIAR system and center's business. It is recommended that the CGIAR orientation program be given to new members preferably after they have attended one board meeting that will give them some familiarity with the centers and their work
- ◆ The annual evaluation of the center DG is the responsibility of the full board. A wide range of inputs, including feedback from center staff should be sought by the board as part of the evaluation process.
- ◆ Boards should conduct their annual self assessment and an evaluation of the chair in a formal manner with clear guidelines. Committees and their chairs should also be evaluated in a similar manner. The board chair should discuss with each member his/her performance annually and offer guidance for improvement as appropriate.
- ◆ Succession planning for board chair and members should commence at least a year ahead of the vacancy. For the DG, the succession planning process should be set in motion with an even longer lead time.
- ◆ CGIAR should strengthen its consultation and nomination process in order to ensure that its nominees meet the competencies needed by the boards. The nomination process has to build on a better understanding of the profiles or the selection criteria between the CGIAR and the centers
- ◆ For members-at-large, a Board should carry out a systematic analysis of its needs for expertise/skills/representation. In order to improve transparency in the recruitment process, CGIAR stakeholders and shareholders should be invited to submit nominees for the available membership slots.
- ◆ Special attention needs to be given to increasing the efficiency of functioning of the boards. Appropriate agenda setting, timely circulation of papers/documents well ahead of meetings, and summarizing the issues for strategic discussion and decision making will enable members to be more effective.

- ◆ The board secretary should report to the board chair in regard to all board matters. Annual evaluation of the board secretary should be dealt with by the board chair in consultation with the rest of the board and other relevant officials.
- ◆ In terms of grievance redressing and conflict resolution mechanisms for the staff, there should be a provision for an appeal of the last resort to the Board when all other remedies have failed. Such appeals should be directed to the board chair. The mechanisms need to be strengthened, made transparent, and fully communicated to staff.

D. Accountability of Boards

- ◆ The CGIAR centers are ultimately accountable to the poor in the developing countries. To ensure accountability towards these beneficiaries, center boards need to ensure that research priorities, products and processes are designed in such a way that they serve the needs of the poor. Sharing this information in a transparent manner is one way to demonstrate accountability.
- ◆ The board is accountable to its stakeholders for the performance of the center. Asymmetry of information can be a serious barrier to the exercise of accountability. To effectively perform its roles and responsibilities, the board should seek and obtain all the necessary information from the management.
- ◆ The CGIAR has put in place an overall system that provides a framework for ensuring that centers are held accountable for their performance. This includes a number of central bodies such as the SC which assists in the overall setting of priorities and strategies and evaluates the relevance and quality of programs, ExCo which performs delegated functions on behalf of the general membership, and the CGIAR Secretariat which assists in the implementation of CGIAR decisions. While these mechanisms provide guidance and checks and balances for accountability, the boards' ability to perform their functions will be enhanced when there is greater coherence in the functioning of these parts. CGIAR members should assist center boards not only by providing overall strategic goals and directions, and other checks and balances but also by aligning their financial contributions and project support closely with these directions.
- ◆ Central bodies established by the CGIAR, such as the SC, ExCo, and the CGIAR Secretariat, are essential for the formulation and implementation of the mission and strategies of the CGIAR System as a whole. In performing these functions, they should seek to minimize the administrative burdens placed on the centers and the boards through their interventions.
- ◆ In the ultimate analysis, the board is responsible for the fit between the center's programs and projects, and the overall CGIAR strategy. Irrespective of the vagaries of donor funding, accountability for the decisions and outcomes rests with the board. Special attention needs to be given by the board to the projects financed by restricted funding because departure from center strategy is most likely in this area.

- ◆ Boards should promote greater openness and transparency with respect to the governance of the centers. Annual reports of the centers should publish performance indicators, both outcome and process related, so as to enable all stakeholders to understand and assess the impact of their programs.