

Adding Value to the CGIAR System: Oversight Role of ExCo¹

Focus on Center Governance

1. Background

Governance issues in CGIAR Centers came to the forefront at ExCo8 (May 2005) during discussion of the 5th CIMMYT EPMR. The EPMR Panel had concluded that a failure in governance was largely responsible for the problems faced by the Center. ExCo asked the CGIAR Secretariat to prepare a note for discussion on governance and oversight questions, with special emphasis on “the role ExCo could play to add maximum value to the System.” This note was prepared in response to the ExCo request, which was later endorsed by the CGIAR.

The note is intended to clarify the specific role that ExCo has played and could play in dealing with governance and oversight issues with respect to CGIAR Centers.² The note describes the various monitoring and evaluation (M&E) mechanisms within the CGIAR to ensure accountability and highlights the range of actions available to ExCo as it carries out the oversight function on behalf of the CGIAR. The note concludes by highlighting the added value ExCo brings to the System by identifying weaknesses and recommending actions to strengthen the System.

2. Role of ExCo in the CGIAR System

ExCo is a subsidiary body of the CGIAR, and acts on behalf of the Group between AGMs and on matters delegated to it by the Group. It was established as part of the CGIAR reform program initiated in 2001. It facilitates decision making by the Group by reviewing major issues and making recommendations to the CGIAR.³

ExCo carries out its responsibilities by providing oversight of several functions on behalf of the CGIAR, including:

- Monitoring and Evaluation (EPMRs, Performance Measurement (PM) System);
- Planning and budgeting (System priorities, Medium-Term Plans (MTPs));
- Finance (Center financing plans, facilitating the financing of priority activities);
- Appointments (Science Council Chair/members, CGIAR nominees to Center Boards);
- Monitoring Challenge Programs (CPs); and
- Approving SC work program and budget.

¹ We thank ExCo members (Peter Core, Jim Godfrey, Jean Lebel) for their informal initial feedback on an earlier draft.

² The role of ExCo in the System is broader than oversight of Center governance, however, the specific focus of this note is on ExCo’s role in oversight of Center governance.

³ CGIAR Charter, November 2004.

3. Oversight and Ensuring Accountability in the CGIAR

Effective oversight by the CGIAR depends primarily on the availability of current and accurate information about a Center. In the CGIAR, this takes place primarily through three M&E mechanisms, notably:

- External Program and Management Reviews (EPMR): five-yearly assessments on the effectiveness of Center research programs, governance and management.
- Medium-Term Plans (MTP): a planning tool, in the form of a three-year rolling plan for each Center, on the desired research programs, with expected output and impact targets, submitted for CGIAR's discussion, amendment if considered necessary, and final approval.
- Performance Measurement (PM) System: annual reporting of performance information—objectively verified, using a common template—on a set of indicators.

ExCo facilitates the Group's oversight of Center activities by reviewing information gathered through the above M&E mechanisms and making recommendations to the Group. These mechanisms provide information on current and potential governance, management, financial and programmatic issues. With regard to science, ExCo receives advice from the Science Council.

Following consideration of this information and advice, ExCo may seek clarification from Center Boards or management, and with the endorsement of the Group when necessary, may request or recommend action be taken by a Center Board or management. While Center management is legally accountable to its respective board, and in that sense Boards have the primary responsibility of ensuring good governance, ExCo's oversight of Center Boards on behalf of the CGIAR is aimed at ensuring good *systemwide* governance and avoiding potential lapses (e.g., board failures).

Centers may choose to accept or reject any ExCo recommendation. However, acceptance/rejection of ExCo's recommendations and the CGIAR's consequent decisions may affect support to the relevant Centers. Continued support by the individual Members of the Group is typically predicated upon a Center continuing to act within an agreed framework and in accordance with the norms and rules of the Group.

Exercising Oversight

ExCo has at its disposal various mechanisms to assess the state of Centers and also to take necessary follow-up actions. These mechanisms include, in ascending order of ExCo's engagement:

Mechanism	Typical Action	Example
1. Requests for Information.	<ul style="list-style-type: none"> • Write to Centers and request information or an explanation. • Request Centers to indicate a solution to a problem or actions that have been taken or will be taken to improve the situation. 	<ul style="list-style-type: none"> • Following presentation of the annual financial report, ExCo requests the Chair to write letters to Center board chairs with “red-“ and “green-flagged” finance indicators, and indicate a solution.
2. Introduce changes to improve governance.	<ul style="list-style-type: none"> • Establish pilot programs to address oversight/governance issues. 	<ul style="list-style-type: none"> • Following development by a working group, the Performance Measurement System was piloted for one year in 2005. The system is now being fully implemented. • To strengthen finance/governance expertise on Center boards, a new CGIAR nominee process is undergoing a two-year pilot. Lessons learned will be reviewed in early 2007, and improvements made.
3. EPMR recommendations and follow-up	<ul style="list-style-type: none"> • Discuss and endorse specific recommendations from an EPMR that encourage improvement in performance of a specific Center. • Endorsement of EPMR recommendations may also be used to send a message on a given topic to the entire System, not only to a specific Center. • Follow-up and monitor implementation of EPMR recommendations until the agreed upon recommendations are all implemented. • In addition to the regular follow-up, ExCo could also ask the board chair to report back to ExCo after a certain period of time and/or recommend a follow-up review. 	<ul style="list-style-type: none"> • ExCo recommendations to CGIAR on EPMRs • Importance of finance and governance standards following the CIMMYT EPMR. • All EPMRs are now followed up in this manner. This is a recent and very effective ExCo practice that ensures feedback from Centers to ExCo. • ExCo asked the CIMMYT board chair to make special reports to ExCo and to the CGIAR, and recommended a follow-up review. • ExCo recommended a follow-up review on two programmatic aspects following the ICRAF EPMR discussed at ExCo 10, and an assessment by the Board and CGIAR Secretariat on progress made on governance aspects.

<p>4. Appointment of special panels/task forces/ad hoc committees</p>	<ul style="list-style-type: none"> • Appoint a special panel or task force to investigate a situation or issue and give advice on what to do to address it. The exercise could be Center-specific or focus on a particular region. The recommendations that flow from the exercise could form the basis for ExCo recommendations on a course of action to take. • Recommend actions to be taken following analysis and discussion of cross-Center reviews • Request the CGIAR Secretariat or a single ExCo member to enter into a dialogue with a Center board to help find a solution to a particular problem or issue. 	<ul style="list-style-type: none"> • ISNAR Restructuring Team following the ISNAR EPMR in 2002. • SSA Task Forces on Programmatic and Structural/Organizational Alignment that followed the ICRISAT EPMR in 2003. • The Stripe Review of Corporate Governance of CGIAR Centers discussed at ExCo10. • Compensation Study. • When a Center experiences a crisis in management, one or a group of CGIAR Members could be tasked to enter into a dialogue with the Center to help rectify the situation—such as when ICLARM faced a governance and management crisis in the early 1990s.
<p>5. Recommendations to the CGIAR on Alignment</p>	<ul style="list-style-type: none"> • Request two or more Centers doing similar work to eliminate overlaps by adjusting programs, selecting common board members, or even merging boards. • Collectively ask a Center board to dissolve itself and close the Center. This would be the strongest and ultimate action. 	<ul style="list-style-type: none"> • The recommendations that emerged from the SSA Task Forces. • The case of ISNAR.

4. Conclusions

The CGIAR's M&E processes have been strengthened in recent years, largely due to the actions of ExCo, as requested by Membership. ExCo has exercised stronger oversight by regularly utilizing the list of actions described in the section above. Issues of importance for oversight include the following:

- *Transparency:* Timely, accurate information flow is necessary for effective oversight. The mechanisms now in place should be monitored for impact and refined as needed.
- *Early warning system:* The Performance Measurement System provides a means by which potential problems may be identified at an earlier stage, since it is carried out annually. Annual follow-up to EPMP recommendations allows for monitoring of implementation, rather than waiting for the next EPMP. These systems are essential to sounding the alarm to the existence of potential problems so that action can be taken.
- *Early action system:* If potential problems come to light or are identified by an early warning system, a decision on a future course of action needs to be taken. This is an area that needs further development in terms of mechanisms designed to take and implement decisions to avoid crises.
- *Identifying weaknesses and generalizing lessons:* ExCo adds value by identifying weaknesses at the Center level and applying lessons in an effort to strengthen Systemwide governance. Center-specific issues that could potentially affect the entire System need to be identified and dealt with as quickly as possible to avoid negative impact on the CGIAR as a whole. Additionally, identification of a problem at a single Center or set of Centers should be flagged and the lessons generalized to the entire System. For example, analysis of Center finance indicators was found to be useful, which paved the way for a more comprehensive set of indicators for use in the Performance Measurement System.
- *Oversight of Challenge Programs:* Challenge Programs are new initiatives aimed at delivering global public goods, and in many cases involve partners beyond Centers. ExCo is the primary body tasked with providing oversight to CPs. Since they are recent initiatives, a formal monitoring and evaluation system for CPs now needs to be developed and put in place for the four ongoing CPs. This is critically important due to the possible expansion of the number of CPs in the near future.

5. Suggestions on Additional Oversight Activities by ExCo

The Stripe Review on Corporate Governance noted that “there is a subtle imbalance between Center autonomy and accountability that characterizes the System and the Centers” and therefore the accountability mechanisms will be limited in their effectiveness under such conditions. The suggestions that follow are intended to help generalize lessons across the CGIAR System and encourage innovative thinking on ways to improve *systemwide* governance and accountability:

- *Early action system:* There are a number of options that could be used to develop such a system. For example:
 - a. ExCo could establish a small short term time-bound ad hoc working group or flexible “virtual concerned community” which draws on external expertise, to analyze responses to letters on finance indicators (red- and green-flagged indicators) and determine if action should be taken. The group could do the same for governance indicators.
 - b. A standing panel could be established to review and advise on topics such as financial and corporate management. However, ExCo previously had two standing subcommittees (i.e., on programs and finance), and ExCo recommended (in September 2004) they be abolished to eliminate duplication of discussion and effort.
 - c. To help identify weaknesses and generalize lessons, ExCo could add a regular item to its meeting agendas on recurring financial or governance matters which could help Centers in detecting potential “wobbles” that may become negative trends. For example, a specific checklist on finance and governance indicators, based on the CGIAR Performance Measurement System, could be used to help identify potential problem areas and improve audit practices.
- *Oversight of Challenge Programs:* The ongoing M&E framework being developed for CPs (Performance Measurement and external evaluation) will place an additional oversight responsibility on ExCo. ExCo might wish to discuss how it can best discharge that additional function.
- *Establishment of a common information framework:* ExCo’s oversight responsibilities could be streamlined and enhanced by establishing common Center Annual Report reporting standards and deadlines. This could reduce the need to request specific information from individual Centers.
- *Follow-up to Stripe Review of Corporate Governance of CGIAR Centers:* Given ExCo’s endorsement of the stripe review recommendations, ExCo could follow-up implementation of the recommendations. The follow-up could examine practices at the individual Center level.