

Summary of ExCo 13 Discussion and Recommendations to the CGIAR on CIAT EPMR¹

R. Rabbinge presented the SC Commentary on the CIAT EPMR. He noted that the SC endorsed the program related recommendations and highlighted the following:

- SC suggests the strategic planning exercise be immediately launched by the new administration.
- The SC recommends that, in addition to reviewing the draft strategic plan, a small team re-visit the Center within 18 months to report on progress in implementing the EPMR recommendations.
- CIAT and IITA should agree without delay on how to coordinate research on cassava in SSA.
- SC encourages donors to continue to fund CIAT, but is concerned at the lack of CGIAR financial oversight of the Center despite several years of evidence of financial problems.

N. Datta presented CGIAR Secretariat commentary on governance, management and finance aspects of the EPMR: She highlighted the following:

- The CGIAR Secretariat fully supports the seven recommendations on governance, management and finance.
- The EPMR was conducted during a time of severe financial crisis. A failure in governance and management was behind the crisis. One of the EPMR recommendations was for the board to take bold action to reconstitute management. The DG has since announced his resignation and an interim DG will be taking over in early 2008. The Center is also developing a reinvigoration plan with clear milestones.
- Various players were responsible for the crisis, e.g. board, finance/audit committees, DG/management, external auditor, and the CGIAR System. CGIAR noted red flags for several years but did not or was not able to influence the Center's response.
- CIAT has agreed to the recommendation on creation of a finance director position, but disagreed with the recommendation for the finance director to report directly to the DG. The key issue is that this may lead to a lack of supervision by the DG and oversight by the board.
- The CGIAR Secretariat agrees with the panel recommendation to end the board's intervening role, but understands it must be done in a phased manner.
- The CGIAR Secretariat also agrees with the panel recommendation for the board to strengthen its financial oversight role by augmenting financial expertise, strengthening its control environment and preparing a risk strategy, and is pleased to note the action that the board is already taking on this matter.
- The EPMR raises key governance issues at the System level, and many lessons to be learned. The System should explore if there is a mechanism at the System level that goes beyond just sending warning signals to Centers on financial risks.

¹ Excerpt from Thirteenth Meeting of the CGIAR Executive Council (October 16-17, 2007) Summary Record of Proceedings, November 2, 2007.

CIAT Board Chair Yves Savidan was invited to comment and noted that major change in the management team is underway. He also noted that leading up to the crisis the board had a serious weakness in financial expertise. Only two years ago, there was no one with financial expertise on the board, but the Center will have three financial experts upon completion of the current CGIAR Nominee cycle. He accepted the board's responsibility in the current crisis. The board has implemented a series of changes in finance controls and monitoring changes with the help of the CGIAR Secretariat.

It is too soon to say the Center is beyond the crisis. There are a large number of ongoing special projects that draw on core funding as they do not involve full cost recovery. The Center is further restricted due to the additional exchange rate loss with respect to the Columbian currency (25 percent loss in one year), which leaves little flexibility to reinvigorate the Center. He stressed that a lot of changes have been made but the Center will remain at risk for some time unless there is a change in funding.

CIAT DG Joachim Voss noted his recommendation to the Center board for him to leave the Center and make way for new management. Interim DG Geoff Hawtin will attend the board meeting in November and AGM07. It is in the best interest of the Center to move as fast as possible on the reinvigoration plan. He thanked the CGIAR Secretariat for its support in the current crisis. He also highlighted the EPMR commendation of high quality of science at the Center.

Discussion:

- ExCo agreed with the SC recommendation on a follow-up review 18 months after adoption of the draft strategic plans.
- An outcome-orientated plan is important.
- Improvement of staff morale is key for the future of CIAT. The recommendations fall short on timelines and specifically on what will be done to improve staff morale.
- CIAT has had red-flagged financial indicators for years but the financial crisis still occurred. It raises an important point on what ExCo/CGIAR could have done to avoid the crisis at CIAT and other Centers with red flags in the future.
- Scientists at CIAT should be commended for maintaining scientific quality at the Center during the crisis.
- Concern was expressed that the reinvigoration plan is not being designed by the interim DG, and some of the same people who caused the problem are now being asked to help find the solution.
- Given the concerns about the Center's ability to emerge from the crisis, ExCo should request a follow-up report from the Center at the next ExCo meeting.
- It is important that the finance director have a direct reporting line to the DG.
- Concern was expressed that the budget for 2006-2008 remains at the same level. When a Center faces such a crisis, it should not assume that it will stay the same size and function the same when in recovery.
- A finance committee could have possibly exercised adequate oversight and recommended corrective action to avoid the crisis.

- In response to some of the issues raised, J. Voss did not agree with comments made on the same people being asked to find a solution for the Center. He clarified that the new deputy DG for corporate services is leading preparation of the reinvigoration plan for the Center. He also noted that the Center implemented the recommendations of a recent Center commissioned external review (CCER). The model differed from the EPMR recommendation on the finance director reporting directly to the DG.

Conclusion and ExCo Recommendation to the CGIAR:

- *ExCo recommends that the CGIAR endorse the 6th CIAT EPMR recommendations, including the SC recommendation for a follow-up review within 18 months to report on progress in implementing the recommendations.*
- *ExCo also requests the Center to report back to ExCo 14 on the new management team and strategy.*
- *The new finance director of the Center needs to be of a high caliber and should report directly to the DG.*
- *The reinvigoration plan should ensure real and lasting change, and engage scientists at the Center to help turn the crisis into a new future.*
- *ExCo commends the scientific community at the Center for their resilience in the face of severe problems, and for the scientific excellence of their research.*
- *The CGIAR System should reflect on how it reacts to warning signs, and what might have been done differently given the complexities and limitations of the System.*