



**Report of the**  
**Sixth External Program and Management Review**  
**of the**  
**International Center for Tropical Agriculture**  
**(CIAT)**

**Overview Documents**

1. EPMR Report Summary and Recommendations
2. CIAT Response
3. Science Council Commentary
4. CGIAR Secretariat Commentary



## SUMMARY

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### *Context and main issues*

CIAT's mission statement, as approved by the Board (1999), reads: *"To reduce hunger and poverty in the tropics through collaborative research that improves agricultural productivity and natural resources management."* The global environment in which CIAT operates has been changing rapidly. There has been a shift from philanthropic *donors* supporting science to alleviate global hunger to one of development-focused *investors* targeting poverty alleviation. While CIAT is well positioned with core competencies and capacity to operate effectively in this more demand-driven environment, it places a new set of pressures on the strategic focus and management of the center. CIAT's current strategic plan is no longer appropriate. It sets out generic research targets that are associated with specific system components rather than identifying target agroecosystems and issues or problems where integrated CIAT research could have focus, comparative advantage, and measurable impact. CIAT has received numerous calls to sharpen research focus and integrate its research activities. It has undertaken a series of re-arrangements of its research activities but has been unable to achieve a form that can integrate its suite of component skills and focus them at critical issues in defined target agroecosystems. It is timely to revisit research targets and clarify CIAT's strategic research agenda. [Rec. #1]

The more demand-driven research environment has generated opportunities for enhanced research for development funding. Funding for special projects has risen substantially at CIAT over the past 7 years. At the same time unrestricted funding has diminished. While this gives the appearance of good adaptation by CIAT to this changed funding environment, and led to temporary growth in staffing, shortcomings in managing this transition have precipitated a financial "crisis" at CIAT. This has generated the need for significant downsizing over the past few years, resulting in a 2007 scientific staff equal in number to that which existed in 2000. It is now a priority issue at CIAT to overcome governance and management shortcomings that have allowed such an extended financial crisis that has engulfed its operations.

*Hence, the two major themes for deliberation by this EPMPR Panel were: (i) clarifying CIAT's strategic research agenda, and (ii) overcoming governance and management shortcomings.*

### *Research programs at CIAT and quality of science*

In 2007, in response to CCER recommendations, CIAT moved from a project approach to a product-line approach of implementing its research agenda. It has implemented this approach within its recently institutionalized Research for Development Challenge (RDC) structure. Research at CIAT is currently organized in two RDCs – People and Agroecosystems and Sharing the Benefits of Agrobiodiversity. The Agrobiodiversity RDC contains all the germplasm related products while the Agroecosystems RDC contains the range of other disciplines involved in system-based research for development.

The Panel found generally high quality and relevance of science at CIAT, although this varied somewhat among research areas. CIAT ranked highly among CGIAR Centers in publications and citations and had an impressive array of germplasm products coming from its core beans, cassava, forages and rice programs. In addition, the Germplasm Research Unit was rated as

among the best in the world and activities at the Tropical Soil Biology Institute (TSBF) were rated as exceptional. It was more difficult to assess livelihood impacts of use of CIAT research due to the lack of availability of impact assessment studies. The Panel suggested strengthening this activity.

The Agroecosystems RDC incorporates product lines for Markets, Institutions and Livelihoods and for Integrated Soil Fertility Management, which houses the TSBF Institute of CIAT in Africa. The Panel was struck by the clear contrast in approach between these two product lines. The Markets product line is discipline oriented with a focus on system components, while the Integrated Management line is problem/outcome oriented and seeks the disciplinary expertise needed for targeted interdisciplinary research for development at the whole system level. The Panel is of the view that the implementation of the product line concept, as manifested in the Markets line, will not achieve the interdisciplinary interaction required to achieve the development outcomes of CIAT's mission. On the contrary, it is clear that TSBF-CIAT has a well-developed research strategy based on integrated multi-disciplinary teams to undertake system-based action research and innovation that is targeted at priority development outcomes. The Panel noted that this multi- and inter-disciplinary approach, which clusters the relevant set of component disciplinary product lines, exemplifies the concept of system level "outcome line" required by research for development across all of CIAT. [Rec. #2]

The Agrobiodiversity RDC incorporates product lines for beans, cassava, forages and rice. Its activities in germplasm improvement can be more readily aligned with the recent implementation of the product line approach. These programs generate critical germplasm products for use across the target agroecosystems forming the research for development agenda of CIAT. The germplasm products are a critical component in pursuing improvement in the broader integrated system. The Panel noted few areas where these germplasm programs could be strengthened, some issues with free access to germplasm related to some contractual arrangements, and a need to clarify arrangements on cassava with IITA. [Rec. #3-7, 10]

### ***CIAT in the Regions***

CIAT has significantly expanded its regional operations in Africa and Asia, while reducing its activity in Latin America and the Caribbean (LAC), since the time of the previous EPMR (2000). Research for development teams in Africa (such as the Pan-Africa Bean Research Alliance-PABRA and TSBF) and Asia were generating observable impacts via integrated interdisciplinary teams and the Panel was highly impressed with their activities and mode of operation. They have developed strong collaborative partnerships with local and international agencies in pursuing impact targets. The Panel observed similar potential in LAC, which was not being realized due to diminishing support from CIAT, and recommended action towards a rejuvenated regional strategy for LAC. [Rec. #8]

The system-based and impact target focused project teams found in the regions exemplified the integrated multidisciplinary approach required to achieve outcomes. They combine broad system diagnosis (production systems, markets, institutions) with use of targeted entry points (often based on CIAT germplasm products and associated markets) to generate development impact. This incorporates relationships with local NARS to enhance scaling out opportunities. The Panel noted that these regional teams were already operating effectively as "outcome

line” teams– they clustered the requisite component mix around a system improvement goal. Hence, the Panel recommended operationalizing CIAT’s research agenda through strengthened regional programs. [Rec. #9]

#### ***Towards an integrated and clearly articulated research agenda***

The Panel considered the concept of “outcome line” and how it could be used to generate strategic focus for the effective future functioning of CIAT. An outcome line was identified as a body of research for development that had a clearly identified impact target in a priority agroecosystem. The identification of targets and agroecosystems forms a critical part of revitalizing the CIAT strategic plan, while the design of the teams required for each associated outcome line would provide the means for CIAT to integrate its component disciplinary competencies and product lines to greatest effect. Outcome line teams would be arranged within CIAT regions and draw on disciplinary expertise as required. The core expertise in Agrobiodiversity underpins the outcome lines by generating improved germplasm products that feed into the outcome lines. Hence, the Panel recommended this concept as a means to focus planning of the strategic research agenda for CIAT. This functionality would enable entry and exit of outcome lines. In that regard the Panel noted that current CIAT activity in tropical fruits is an example of a pilot outcome line within the LAC region. The Panel further discussed the qualities of research leaders needed for the outcome line approach.

The Panel then proceeded to consider the structural arrangements of CIAT’s research resources needed to achieve this functionality. This involved some small changes to the existing organizational chart. It was recommended to organize research via four programs - Agrobiodiversity, Asia, Africa and LAC – to deliver the germplasm products and house the outcome lines. In the Panel’s view, enhancing responsibility and authority of the four program leaders would facilitate effective decisions on disciplinary mix in research teams, allow creativity in research leadership, and clarify reporting relationships for scientists in research teams. [Rec. #12]

The implications of this structure related to aligning existing teams in Africa into a single coordinated regional program, and discontinuing the Agroecosystems RDC program and the Public-Private-Partnerships directorate. The four programs (Agrobiodiversity and the three Regions) are vested with the responsibility of implementing germplasm products and outcome lines that will have been clearly defined in the renewal of the strategic plan. The outcome lines in the regions will require disciplinary expertise from the disciplines represented in the existing Agroecosystems RDC and existing staff might fill some of these roles. However, the Panel identified the discontinuation of the Agroecosystems RDC as the primary source of research savings from core.

The recommended organization structure included strengthening the DDG-Research Office with three staff positions – proposal development and IP manager; senior economist/impact specialist; spatial analysis specialist.

#### ***Organization and management***

CIAT’s organizational structure has changed a number of times since the last EPMR (2000). The current Management Team consists of the DG, the DDG-Research, the DDG-Corporate Services, and the Director of Public-Private Partnerships. The team has not operated

effectively as a group in recent years. It has lacked the full mix of skills needed for sound institutional decision-making – in particular in finance and management. And it has not strategically led CIAT through the period of financial crisis. Only 32% of staff surveyed by the EPMR believe that relations between staff and management are positive, and just 23% have confidence in CIAT leadership (DG and the Board). The Panel considers the defection of key scientists out of frustration with the prolonged period of instability to be the number one risk to CIAT's future. The Panel recommends that the CIAT Board take rapid and bold actions to reconstitute CIAT leadership and management in the short term and that the implementation of this recommendation be followed up by 1 March 2008 in close consultation with the CGIAR. [Rec. #13]

The Panel believes that CIAT Board and management must improve procedures for balancing research ambition with financial reality. CIAT's failure to focus on building reserves and the over-expansion of its research mission left it vulnerable to financial downturns in 2005, from which it has not yet recovered. The Panel believes that the Finance Department requires major adjustments, including the establishment of the position of a Finance Director that reports directly to the DG and recruitment of an experienced financial manager with a professional accountancy qualification. The Panel also recommends that the recently established Grants Management Unit be abolished and its functions disaggregated. [Rec. #14]

Despite the difficult challenges that CIAT currently faces, the Panel found that CIAT staff remain committed to the center's mission and their work, and are proud of the center's accomplishments. However, the financial situation and the nature of subsequent downsizing decisions have been detrimental to morale. While CIAT spent some US\$10M in "phase out costs" associated with staff terminations and restructuring since 2003, human resource management has lacked the needed attention of CIAT leadership. CIAT's human resource policies and procedures, and related management systems are in need of updating. The Panel recommends that human resource management become a priority at CIAT, and that this should entail aligning human resource planning with broader program and financial planning efforts, streamlining human resource business processes to improve service delivery, and renewing policies and their consistent application. [Rec. #15]

### ***Governance***

The Panel believes that the Board did not provide strong strategic leadership and oversight for much of the period since the last EPMR. The growth of project-funded activity at CIAT, from 2000 through 2005, was not strategically driven and weakened CIAT's research focus; the downsizing that followed was conducted in successive rounds and overall has not resulted in a clear strategic repositioning. While CIAT's Board has scientific expertise, it has lacked financial expertise for the bulk of the period under review. As a result, the Board was unable to identify and deal effectively with the financial and risk management issues that CIAT faced – and the center entered a period of financial turmoil.

The current Board has inherited problems that pre-date the terms of its current members. The Board has begun to take positive corrective measures. Since late 2005, the Board has been operating in an intervening mode, in which it has become intensely involved in discussions of critical issues and decision-making. During this time, the Board has provided oversight and guidance to management relating to the financial crisis, and the Board has aimed to ensure that financial decisions were aligned with research strategy. In the Panel's view, the Board's

dedication to CIAT and commitment to shepherd the center through this difficult period have been exemplary.

However, a Board intervention is not “business as usual,” and as of mid-July 2007 there is uncertainty concerning the duration of this intervention. Further, while scientific programs at CIAT continue to be impressive, financial and management challenges continue to loom large. In the Panel’s view, the intervention has not resulted in the resolution of CIAT’s underlying problems. Since March 2006, the center has not had a permanent Director of Finance or the equivalent – which is essential in the view of the Panel – and no plans are underway to recruit one (as of mid-July, 2007). As noted above, the defection of key scientists has become a major risk at CIAT. The Panel has concluded that fresh approaches are needed in terms of leadership and governance at CIAT, and that the Board should end its intervention as soon as possible – so that normality can return to CIAT. [Rec. #17]

The Panel believes that there is a strong chance of financial recovery provided the Board and management take deliberate and timely actions in the near to medium term. This will only be possible if the Board and management have a clear understanding of the underlying causes of the current problem and take appropriate actions, including major adjustments to roles and responsibilities for financial management, risk management and internal control throughout the institute. The Board will need to strengthen further its expertise in finance/accountancy and the operations of its Audit Committee. The Panel recommends that the Board institute measures in general to strengthen its operations and strategic focus. [Rec. #16 and #18]

It is the Panel’s considered view that the Board has fallen short of good governance practice in two of its critical responsibilities. First, the Board’s oversight of the performance of top management was not sufficient to identify weaknesses early and take decisive, appropriate and timely actions to resolve these in the long-term interests of CIAT. Second, the Board’s membership did not include financial expertise that could have helped it spot early signs of financial difficulties and unconventional accounting practices. In this regard, the Board was not provided with clear and explicit advice from internal or external professional advisors. The Panel strongly recommends that the Board reflect critically on lessons learned from the recent period of distress and move expeditiously, in consultation with the CGIAR, to reinvigorate the leadership of the Board and its committees, as needed. [Rec. #19]

## LIST OF RECOMMENDATIONS

*(The Panel recommends that):*

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1. CIAT management initiate as a matter of urgency a strategic planning process that reinvigorates the mission of the institute, analyses the environment in which it operates, enumerates its comparative advantages and strengths, and identifies the major problem areas and target agroecosystems to focus its research for development agenda on achievable outcomes.
  2. CIAT implement its research for development agenda via a small number of outcome lines that engage multidisciplinary teams in a system-based approach that targets outcomes defined clearly and unambiguously in a revised center strategic plan.

3. CIAT support at least one entomologist, one pathologist, one plant physiologist, and one virologist to provide disciplinary support across the Agrobiodiversity RDC.
4. CIAT strengthen its forage research efforts to better realize the potential of the forage improvement program for providing benefits to small farmers in Africa and Central America.
5. CIAT continue to support the rice program in LAC.
6. (i) CIAT revisit its contracts with the Fund for Irrigated Rice in LAC (FLAR), on access to rice germplasm in line with CGIAR's guidelines and the Standard Material Transfer Agreement of the International Treaty on Plant Genetic Resources; and (ii) CIAT revisit the Papalotla contract on distribution of *Brachiaria* germplasm, in light of current marketing and distribution conditions to ascertain if this situation is presently in line with CGIAR guidelines and the Standard Material Transfer Agreement of the International Treaty on Plant Genetic Resources.
7. CIAT and IITA develop a common, coordinated cassava research agenda and work closely to implement their joint agenda in Africa.
8. CIAT commission a task force of key stakeholders to assist the Center in developing a regional strategy for rebuilding its research programs in LAC.
9. CIAT's global orientation be operationalized through strengthened Regional Programs (Africa, Asia, LAC); this requires operational changes at the leadership, staffing and administrative levels; including moving additional responsibility, authority and resources to program leaders.
10. CIAT fully implement the Fifth EPMR (2000) recommendation on IP and add operational capacity to manage IP to its staff and devise an operational plan for managing IP.
11. The TSBF Scientific Advisory Committee be discontinued.
12. CIAT adopt the research organizational structure and reporting lines presented in *Figure 7.11*.
13. (strongly) CIAT Board take rapid and bold actions to reconstitute CIAT leadership and management in the short term. The Panel also recommends that a specific action-plan be put in place to follow up on the implementation of this recommendation by 1 March 2008 in close consultation with the CGIAR.
14. (i) CIAT establish a Finance Director position and recruit an experienced financial manager with an internationally recognized professional accountancy qualification. The Finance Director should report directly to the DG to ensure the relative independence of the position and to enhance internal financial controls, and should be a member of the Management Team. (ii) The recently established Grants Management Unit should be abolished and its functions disaggregated.
15. Human resource management become a priority at CIAT; this should entail aligning human resource planning with broader program and financial planning efforts, streamlining human resource business processes to improve service delivery, and renewing policies and their consistent application.
16. The Board, in consultation with management, institute measures to strengthen Board operations and strategic focus; measures should address information shortcomings, the Board's heavy workload and agenda, and priority performance indicators.
17. (strongly) The Board lay out clear parameters and a timetable to end, as soon as possible, its intervening mode so that normality can return to CIAT.

18. (strongly) CIAT strengthen the Board's expertise in finance/accountancy, establish an internal control policy framework, hold closed sessions of the Audit Committee to probe deeper on the functioning of internal controls, and make risk management a standing agenda item of the Board.
19. (strongly) The Board reflect critically on lessons learned from the recent period of distress and move expeditiously, in consultation with the CGIAR, to reinvigorate the leadership of the Board and its committees, as needed.

## LIST OF SUGGESTIONS

*(The Panel suggests that):*

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1. The cassava research team focus on a smaller number of clearly defined objectives as suggested by the CCER report.
2. CIAT work with ILRI to improve smallholder animal production systems in Africa.
3. CIAT discontinue the separate identity of the Enabling Rural Innovation Program and integrate this disciplinary capacity into the Africa regional program.
4. CIAT continues to support the well established network of soil and water management in Central America.
5. CIAT publishes existing research for development case studies as a special issue of a relevant international journal with a synthesis paper that draws together the main lessons from across this research for development studies.
6. CIAT clarify its strategy for the operation of AGRONATURA and that CIAT ensures that it does not subsidize AGRONATURA.
7. Any further reductions required in core expenditure be obtained in the first instance via the reconfiguration associated with discontinuing the People and Agroecosystems Research for Development Challenge. Further, the Panel suggests that an enhanced proportion of available core funding be allocated to regional leaders to facilitate demand-driven development of the required disciplinary skill mix in outcome lines.
8. A senior economist be assigned as a staff person reporting to the DDG-Research with responsibility to coordinate monitoring and impact of research.
9. Spatial analysis expertise of the minimum size required for this service role be maintained within the office of the DDG-Research.
10. In conjunction with *Recommendation #1*, that CIAT formalize and implement procedures for priority setting, research monitoring and impact analysis that inform the process of formulating CIAT's strategic plan.
11. The Finance Department develop a reporting package including the following: (i) cash flow analysis by currency phased by month at each reporting period with adequate commentary on the impact of currency on both receipts and expenditure; (ii) critical highlights of statutory financial statements emphasizing risk items such as overdue receivables, provisions; (iii) budget performance reporting, providing detailed variance analysis.
12. In the formulation of budgets, CIAT adopt formats that clearly indicate the build-up of (i) projected revenue by source of funding and by currency including phasing either on a monthly or quarterly basis; (ii) assumptions that are explicitly stated, regarding the build up of revenue projections; (iii) costs by source of funding and types/objects of expenditure (staff, activities).

13. CIAT draw lessons from other CGIAR centers where budgetary information and actual financial performance include quarterly reporting, variance analysis, and forecasts which revise Approved Budgets in the light of actual performance, supported by appropriate commentaries.
14. The head of the Corporate Communications and Capacity Strengthening unit be given authority to play a leadership role in driving CIAT's external communications, working with the DG and relevant managers.
15. CIAT reorganize existing roles in the Office of the DG and appoint a special assistant for institutional alliances and donor relations.
16. The process for appraising the performance of the DG should be conducted against pre-agreed measurable goals, should incorporate staff feedback, and should result in concrete actions designed to deal with identified weaknesses.

## CIAT's RESPONSE TO THE 6<sup>TH</sup> EXTERNAL PROGRAM AND MANAGEMENT REVIEW PANEL RECOMMENDATIONS

The CIAT Management and Board of Trustees welcome the recommendations, suggestions and observations of the 6<sup>th</sup> EPMP Review Panel. We found that the panel was truly dedicated to the interests of CIAT and of its mission.

The review came shortly after a second significant staff downsizing in a two year period. This was made necessary by a financial crisis brought on by a combination of highly unfavorable local currency conditions, further significant reductions in core income and the center's failure to implement full cost special project budgeting in a sufficiently timely manner.

In this context, the panel's quest for solutions in order to reinvigorate the center is much appreciated. We are in substantial agreement with the Panel's diagnoses and with many of the proposed remedies.

We are grateful that the panel recognized the progress CIAT has made over the last 7 years in strengthening and building excellent regional programs in Africa and Asia and the high quality partnerships we have built in the Challenge Programs and beyond.

The exceptional rankings of our gene bank and of CIAT's Tropical Soil Biology and Fertility Institute are a source of special satisfaction as we consider these to be core strengths on which much of the rest of our research builds. This is especially true of our highly rated commodity and biotechnology related science.

Amongst our accomplishments we would include the pivotal role CIAT played in bringing the Gates foundation into the CGIAR and into Agriculture via the Harvest Plus Challenge Program. We are also proud of the dedicated and effective efforts of the DG and of the previous BOT chair Dr. Jim Jones, towards the creation of the Alliance of the CGIAR centers in Cali in May of 2006.

We fully agree with the need to develop a new strategy for Latin America together with our major partners and will launch that initiative in November with a special symposium on *"From Colombia to the World: Agriculture for the 21<sup>st</sup> Century."*

The financial crisis has exposed serious weaknesses in our management and governance competencies. Many significant steps have already been taken to correct these. As the Panel notes, several more are needed and will be implemented; however, in some cases we disagree with the panel about the best way to do so.

One of CIAT's special strengths has been the capacity to put science at the service of people through the integration of high quality social and spatial analysis with our advances in the life sciences. We recognize the need to better focus and integrate that work in CIAT's priority agendas and to rebuild our excellence in the social sciences. Concrete measures are underway to achieve this.

In summary, of the 19 recommendations we agree with 13 and partially agree with 6.

**[#1] The panel recommends that CIAT management initiate as a matter of urgency a strategic planning process that re-invigorates the mission of the institute, analyses the environment in which it operates, enumerates its comparative advantages and strengths, and identifies the major problem areas and targets to focus its research for development agenda on achievable outcomes.**

CIAT Response: Partially agreed. Prior to receiving this recommendation from the EPMR, the CIAT BOT in its May 2007 meeting had tasked Management with developing an updated research strategy. This would build upon the ongoing effort coming out of the May 2006 CCER reports to enhance focus and integration in the CIAT research program. This has already led to a reorganization of research into six product lines (CG "projects"). CIAT Management will pursue this strategic planning process further with a view to updating the research strategy with particular attention to developing a reinvigorated approach with stakeholders in Latin America (Recommendation # 8) as well as formulating outcome lines for the P&A RDC. Nevertheless, it is not appropriate to engage in a full scale institutional strategic planning process at this time since this would better be left to an incoming DG after 2010. Thus, this current updating of the research strategy should largely occur at the level of outcome lines and should be closely linked to resource mobilization efforts.

**[#2] The Panel recommends that CIAT implement its research for development agenda via a small number of outcome lines that engage multidisciplinary teams in a system-based approach that targets outcomes defined clearly and unambiguously in a revised institute strategic plan.**

CIAT Response: Agreed. As noted in CIAT's response to recommendation #1, CIAT subscribes to the concept of updating its research strategy. CIAT sees considerable virtue in the EPMR Panel's analysis of the advantages of outcome focused inter-disciplinary teams with a systems based approach which would build on positive experience that CIAT has already been implementing this approach, for example, with PABRA, TSBF, and in Asia. It is anticipated that such an approach would provide the cornerstones of a revised research strategy.

**[#3] The panel recommends that CIAT support at least one entomologist, one pathologist, one plant physiologist, and one virologist to provide disciplinary support across the Agrobiodiversity RDC**

CIAT Response: Agreed. This complex of disciplinary skills would be appropriate to support the current work from the Agrobiodiversity RDC that would continue in the new research plan. These positions would be included in the 2008 working budget, subject to resource availability, and recruitment for any gaps in this disciplinary coverage would be completed by early 2008.

**[#4] The panel recommends that CIAT strengthen its forage research efforts to better realize the potential of the forage improvement program for providing benefits to small farmers in Africa and Central America.**

CIAT Response: Agreed. Central America has been for some time a focus of particular attention for forage improvement and there is already evidence of uptake of new forage options. Full realization of the potential of forages in that region would seem a likely priority in an updated research strategy. CIAT particularly agrees both with the EPMR panel and key national programs in Africa that the potential for forages in Africa is immense and deserving of a considerably increased effort, in coordination with ILRI. CIAT would seek ways of redeploying existing resources and, building on the successful experiences in Asia, reinvigorate efforts on forages in Africa while alliances with African partners and stakeholders were developed to generate investment for a full scale effort.

**[#5] The panel recommends that CIAT continue to support the rice program in LAC.**

CIAT Response: Agreed. CIAT sees a continuing commitment to rice research in LAC in partnership with the public and private sector in LAC; with CG Challenge Programs and other centers; and with other major global actors in rice research. Recently CIAT has reached agreement for common engagement in rice research in Africa together with IRRI and WARDA.

**[#6] The panel recommends that (i) CIAT revisit its contracts with the Fund for Irrigated Rice in LAC (FLAR) on access to rice germplasm to CGIAR guidelines and the Standard Material Transfer Agreement of the International Treaty on Plant Genetic Resources For Agriculture and (ii) CIAT revisit the Papalotla contract on distribution of Brachiaria germplasm, in light of current marketing and distribution conditions to ascertain if this situation is presently in line with CGIAR guidelines and the Standard Material Transfer Agreement of the International Treaty on Plant Genetic Resources For Agriculture.**

CIAT Response: Agreed. While CIAT believes that the agreement with FLAR is already fully in line with CGIAR policy, it will work with FLAR to insure that this is made unambiguously clear. CIAT would aim to have a clarified agreement ready for consideration by the CIAT and FLAR Boards before the end of 2007. Further, CIAT is confident that any uncertainties about the agreement with Papalotla can be resolved in

clear line with CGIAR policy. CIAT will approach Papalotla to explore any issues with a view to having a fully developed agreement for the May 2008 BOT meeting.

**[#7] The panel recommends that CIAT and IITA develop a common, coordinated cassava research agenda and work closely to implement their joint agenda in Africa.**

CIAT Response: Agreed. CIAT has always seen great virtue in a coordinated inter-center approach to cassava research in Africa with IITA, and, building on a variety of positive recent collaborations, CIAT will renew efforts to realize this important objective. Preliminary explorations along these lines would be initiated in 2007 with a view to having a full consultation in 2008 with relevant African and other stakeholders to design a common agenda.

**[#8] The panel recommends that CIAT commission a task force of key stakeholders to assist the Center in developing a regional strategy for rebuilding its research programs in LAC.**

CIAT Response: Agreed. As noted in the response to recommendation #1, this would be a natural and priority corollary to updating the research strategy. This task force would be brought into action in early 2008 with the CIAT 40<sup>th</sup> Anniversary Celebration of November 2007 serving as foundation to launch this process.

**[#9] The panel recommends that CIAT's global orientation be operationalized through strengthened Regional Programs (Africa, Asia and LAC); this requires operational changes at the leadership, staffing and administrative levels including moving additional responsibility, authority and resources to program leaders.**

CIAT Response: Partially agreed. CIAT agrees with the Panel that it has significant comparative advantages that can contribute to selected strategic target outcomes in all these regions. However, to operationalize CIAT's global operation, CIAT needs to maintain its focus on international public goods. Organization by regional programs could risk diversion into regional public goods which would not be appropriate for CIAT. Consequently, CIAT has so far organized its research around globally relevant products or outcomes. Clearly regional research leadership and scientists, in consultation with key stakeholders, have a central role in identifying strategic foci and alliances in consonance with CIAT comparative advantages and competencies. Furthermore, management and administrative systems should naturally be adapted to be responsive to and supportive of regional operations with an effective degree of delegation of responsibility and authority to regional research leadership. Nevertheless, issues of research organization are probably best postponed until after the development of any future Strategic Plan (See response to Recommendation #1). At that point the

organizational form would be chosen on a set of strategic criteria among which would figure the costs and speed of implementation of the new structure.

**[#10] The panel recommends that CIAT fully implement the 5<sup>th</sup> EP MR recommendation on IP (2000) and add operational capacity to manage IP to its staff and devise an operational plan for managing IP.**

CIAT Response: Partially agreed. While CIAT needs some significantly improved access to expertise for managing IP issues, it would not expect to become fully or even mainly self sufficient in these functions. Alliances at the CGIAR level would be sought in order to access the specialized expertise and economies of scale that can not be achieved at the center level. CIAT will examine its needs and the approach taken to managing IP at other centers and comparable organizations with a view to identifying the skill sets that it would be appropriate to supply internally, while seeking alliances for the supply of other expertise on a shared or contract basis. CIAT would give first option to resolving this by collective action, potentially among the LAC centers of the CGIAR, rather than expecting to rely principally on in-house capacity.

**[#11] The panel recommends that the TSBF Scientific Advisory Committee be discontinued.**

CIAT Response: Agreed. The Scientific Advisory Committee (SAC) has played a useful role during the merger of TSBF with CIAT, but with the successful integration that has now been achieved, a continuing indefinite direct oversight of the SAC by the CIAT BOT is no longer needed. Consequently, the SAC as a formal body reporting to the CIAT BOT will be dissolved.

**[#12] The panel recommends that CIAT adopt the research organizational structure and reporting lines presented in *Figure 7.11*.**

CIAT Response: Partially agreed. CIAT agrees that organizational options for research deserve serious consideration. The concept of inter-disciplinary outcome lines in the regions is attractive and in fact would not represent in some cases a major change from current practice. However, as noted in the EP MR report, it would be folly to degrade the profile of TSBF; specifically, the most effective way to manage the status of TSBF requires further analysis. To provide guidance CIAT would propose a CG stripe review of lessons to be learned from mergers in the CGIAR (e.g. INIBAP, ISNAR, IBSRAM, TSBF etc) .

CIAT sees both the priority research issues of concern to the People & Agroecosystems (P&A) RDC as well as the disciplinary competencies housed in the P&A RDC as critical to achieving CIAT's research objectives. Improving the access of the rural poor to the opportunities of high value crops and adaptation to climate change are both of increasing importance to the CG system as a whole and also key foci within P&A research. These

would be natural candidates for consideration as outcome lines within an updated CIAT research strategy. The P&A RDC also serves as the focal point for skills in systems approaches and social sciences, broadly including GIS, market and other institutional analysis, socio-anthropology, and economics. For CIAT to be effective in attaining its mission, it must have world class expertise in all these fields. While these approaches need to be integrated with the work of other disciplines in specific outcome lines (e.g. working with breeders on improved beans for Africa), it will not be possible for each outcome line to fully self-source expertise in all these approaches, even taking into account partners' contributions. Consequently the P&A RDC has been intended to serve as a central expertise resource for a wide variety of CIAT outcome lines – as it has been doing with TSBF -- with the added advantage of a community of practice and senior leadership with experience in the relevant fields to ensure oversight for research quality that would not be achieved by decentralizing all this expertise to specific outcome lines.

Likewise, CIAT agrees that it is important to strengthen its effectiveness in achieving outcomes in the regions. Achieving this will require clarity in delegation of responsibilities and authorities, strengthened controls, and improved central provision of some service functions. Overall, CIAT continues to think that global outcome lines would be a more attractive option than regional divisions. This would provide a structure that would enhance CIAT's global niche while taking advantage of the excellent implementation, adaptation and partnering capacity it has in the regions.

CIAT is already implementing a relocation of the functions of the PPP Directorate. CIAT further agrees on the need to strengthen impact analysis and IP (see response to Recommendation #10), and there could be merit to organizing these as support services through the office of the DDG-R.

Finally, CIAT agrees that spatial analysis is a critical research tool that can provide important support to research planning and evaluation. The text of the report is so far reaching in its proposals for reductions in this area that CIAT will need to examine the implications of various options with care before reaching a final decision. CIAT sees GIS as a research area where the Alliance centers should explore the opportunities to pool capacity. GIS research capacity would remain in the P&A RDC rather than be assigned to the office of the DDG-R as recommended by the panel.

**[#13] The Panel recommends (Strongly) that the CIAT Board take rapid and bold actions to reconstitute CIAT leadership and management in the short term. The Panel also recommends that a specific action-plan be put in place to follow up on the implementation of this recommendation by 1 March 2008 in close consultation with the CGIAR.**

CIAT Response: Agreed. Renewal of key senior management positions was already considered as a priority since the 2006 CCER by the DG and the BOT. A significant part of this recommendation has recently been accomplished through the

successful recruitment of a senior administrator from the private sector to fill the new position of DDG Corporate Services. He is currently recruiting for the new director of administration and is handling the director of finance function himself on a temporary basis in order to give it priority attention. As shown in the organigram, it is indeed our intent to rapidly identify an “experienced financial manager with a recognized professional accountancy qualification”. Our difference in judgment with the panel is on the reporting relationship, as noted in our response to recommendation 14 below.

Since 2003, five of the “old guard” have left senior management. What remains to be done to achieve a complete renewal is to plan for the succession of the DDG R and of the DG. The BOT chair, the DG and the DDG-CS have already started the consultation process with the CGIAR on the best way forward, beginning with a meeting with the new CGIAR Director in Washington on August 13<sup>th</sup>.

**[#14] The Panel recommends that (i) CIAT establish a Finance Director position and recruit an experienced financial manager with an internationally recognized professional accountancy qualification. The Finance Director should report directly to the DG to ensure the relative independence of the position and to enhance internal financial controls, and should be a member of the Management Team. (ii) The recently established Grants Management Unit should be abolished and its functions disaggregated.**

CIAT Response: Partially Agreed. The MT and BOT agree with the recommendation for the need of a strong Head of Finance with recognized professional accountancy qualifications as planned in the organizational structure when the DDG-CS was appointed. Considering the magnitude of the financial situation and the lack of available resources in the short term, the DDG-CS will act as the interim Head of Finance.

The financial crises has its origin back at the beginning of the decade when the MT recognize that restricted projects absorbed significant dwindling core funds. However, the previous Finance Director failed to recognize the reality and magnitude of the direct and indirect overhead costs. Requests by the DG to the Directors of Finance and Administration - starting in late 2003 - to establish compulsory full cost budgeting templates supported by a coherent policy that requires such costs to be included in the development of new contract proposals (implementation of a full cost budgeting process) were agreed to, but not implemented.

The continual increase of restricted project funds that needed subsidies from core funds compounded the depletion of reserves. During this period the previous Finance Director, who is an internationally recognized professional with the required accountancy qualifications, reported directly to the DG, but was not able to respond rapidly enough make the changes required by this new funding environment. Therefore we disagree that having the Head of Finance reporting to the DG will bring any benefits to financial

management and improvement of CIAT's financial situation. The main issue, as stated in the World Bank accountants' report, was one of the soft controls i.e. too permissive a management culture. We have fixed that by bringing in someone tough, fair and well experienced to run the business – as recommended by the CCER report on Management and Governance.

We disagree with the recommendation to abolish Grants Management but agree to integrate the existing unrestricted core Budgets Office with functions of Grants Management within the Finance Office. The principal functions of Grants Management, namely, 1) administration of research funds (budgeting – accounting – reporting: including the control of recovery of institutional costs at proposal development), 2) contracts management and general support to the grants process, 3) the delicate function of support to both the research and the accounting teams; should not be disaggregated. We agree that the management of donor relations and support to other fund raising activities should be handled outside of Budgets and Grants Management.

We propose to afford the new DDG-CS the opportunity to demonstrate that an aligned Budget office that includes administration of core and restricted funds will provide the required financial controls and prevent overextension of CIAT's financial capabilities in the future. We agree that by mid 2008 the Head of Finance will be appointed reporting to the DDG-CS.

**[#15] The Panel recommends that Human resource management become a priority at CIAT; this should entail aligning human resource planning with broader program and financial planning efforts, streamlining human resource business processes to improve service delivery, and renewing policies and their consistent application.**

CIAT Response: Agreed. We agree that human resource management needs to extend its reach to include the regions and hence become a more global organization. This will require its human resource policies be reviewed and adapted and a system expanded to allow the integration of and access to the regions.

It is essential that Human Resource management forms part of the strategic CIAT agenda. However, as a project driven organization and as long as CIAT's financial situation remains critical, it will be important to maintain a human resource contracting policy that aligns contractual employment terms with projects. Such a hiring policy will continue to exert heavy pressure on researchers to obtain longer term funding or to develop a solid funded project pipeline. As CIAT's financial situation improves (reserves and liquidity to exceed current required average) core resources can again selectively be made available to bridge certain key research contracts between projects.

A total overhaul of the IRS compensation and category structure is needed. The research organization needs to be balanced (currently top heavy) and a more normal distribution amongst categories is required. Clear parameters for promotions need to be established and adhered to. In order to bring CIAT back to become and remain competitive in

compensation with other institutions within the CGIAR system, selected funds need to be made available as the financial situation improves.

We agree that updating of HR policies, particularly IRS policies, and their consistent implementation is essential both at HQ as well as in the regions. The process has already started. We also agree that the performance evaluation process needs to be reshaped. It is true that the lack of resources makes the implantation of the review process more difficult, but monetary considerations can not play the only role in an effective performance review process. The implantation of a force ranking process might have to be considered.

**[#16] The panel recommends that the Board, in consultation with management, institute measures to strengthen Board operations and strategic focus; measures should address information shortcomings, the Board's heavy workload and agenda, and priority performance indicators.**

CIAT Response: Agreed. The EPMR Panel witnessed a very unusual Board meeting format, for several reasons, the primary one being the frequent interim meetings with the Executive Committee of the Board to develop a common response to the financial crisis. In times of normal operation we intend to focus the two annual meetings, in the format started in 2005. The May meeting will deal mostly with research strategy and oversight ('Annual Review'). The November meeting will concentrate on financial and administrative oversight. The financial crisis and the frequent interim meetings, both in person and through bi-weekly conference calls, meant that information flow between Board and management had been effectively transmitted before the May BOT. We agree that the information flow can always be improved, and the form needs to reflect a "normal" bi-annual pattern of meetings. As of this coming November Board meeting, we intend to replace this emergency" system with by good quality briefs for each agenda item, as was done in the past, and are considering bi-monthly reports by the management team to the Board. With the termination of the financial crisis, the Board expects its workload to be significantly reduced as soon as in 2008 and its next agenda focused on the issues of leadership and succession planning (recommendation 13) and strategy planning (recommendation 1).

**[#17] The panel strongly recommends that the Board lay out clear parameters and a timetable to end, as soon as possible, its intervening mode so that normality can return to CIAT.**

CIAT Response: Agreed. The return to normality at CIAT is not dependent on the Board's mode of operating, but rather, on the successful implementation of all the changes in the organization, budgeting system, controls that have been recommended by external consultants and reviewers. Nevertheless, the Board has put milestones in place which upon completion, by the closure of the 2007 budget, will permit the Board to go back to its previous 'engaged mode'. The current by management towards the completion of the

milestones has already allowed a decrease in the number of intermediate virtual meetings.

**[#18] The panel strongly recommends that CIAT strengthen the board's expertise in finance/accountancy, establish an internal control policy framework, hold closed sessions of the Audit Committee to probe deeper on the functioning of internal controls, and make risk management a standing agenda item of the board.**

CIAT Response: Agreed. Since 2005, the Board has made sustained efforts to strengthen its expertise in finance, and will have identified additional financial expertise by the end of 2007, to replace the expert who left after the last 2006 Board meeting for business reasons. An internal control policy framework will be developed for approval at the Board November 2007 meeting. The closed sessions of the Audit Committee, will continue with all the committee members. Risk management will continue to be a standing agenda item, as decided since 2006.

**[#19] The panel strongly recommends that the board reflect critically on lessons learned from the recent period of distress and move expeditiously, in consultation with the CGIAR, to reinvigorate the leadership of the board and its committees, as needed.**

CIAT Response: Partially agreed. The current Board has spent a large amount of time analyzing the roots of CIAT's crisis and, with management and external consultants discussed the changes to be implemented. We agree the Boards that have been in place since the last EPMR, share responsibility for the recent period of distress.

We also agree that the current Board needs to replace a financial expert who resigned in 2006 for business reasons. We are rapidly evolving in the right direction. We believe that since November of 2005 when the Management and the Board revised both the way in which Finance Leadership reports to the board, and the TORs and procedures of the Board and its committees, we have fully and clearly demonstrated the quality and level of leadership expected from a Board.

## SCIENCE COUNCIL OF THE CGIAR

### Commentary on the Sixth External Program and Management Review of the Centro Internacional de Agricultura Tropical (CIAT)

*20 September 2007*

The Science Council considered the Report of the Sixth External Program and Management Review (EPMR) of CIAT, and the Center's response, at the SC's eighth meeting at FAO in Rome on the 27<sup>th</sup> of August, 2007. The main findings and recommendations of the EPMR Panel were presented by the Panel Chair, Dr. Eduardo Venezian. Responses on behalf of the Center were made by Board Chair, Dr. Yves Savidan, and by CIAT Director General, Dr. Joachim Voss.

The SC thanks the Panel for their detailed and constructive work stressing the need for CIAT to emerge from its current crisis and acknowledging that the Panel had a difficult task. The SC notes CIAT's mostly positive response to the EPMR Report and its 19 recommendations, of which the Center fully agrees to implement 13 and partially agrees with 6.

#### **Overview**

Two key findings from the review were the need to overcome governance and management shortcomings and to clarify CIAT's future strategic research agenda. The Panel recommended improvements in seven categories: organization and planning of research, research management, specific research topics, regional organization of research, intellectual property, center management, and governance. The Council agrees with the Panel that the Center needs to quickly emerge from the most recent turmoil and instability by rethinking its research strategy and by revitalizing its leadership. The SC concurs that this is a crucial time for CGIAR donors to invest collectively in CIAT's turnaround, subject to program, governance and management changes detailed in the EPMR report.

#### **Program**

The Council welcomed the Panel's positive assessment of the quantity and quality of CIAT's research for development, their productive and relevant work and world class scientific programs. The SC believes that the quality and the relevance of CIAT's science should be the basis and starting point in reshaping CIAT as a solid, high performing global research institute. The Council notes that, in general, the Center had responded only half-heartedly to the 5<sup>th</sup> EPMR (2000) and suggests that this might have contributed to the current problems the institute is facing. The Council suggests strengthening the recently started practice of monitoring the implementation of EPMR recommendations through the annual MTP review.

The SC concurs with the Panel that an overarching vision and a comprehensive strategic plan needs to be prepared. The lack of such road map in the recent past has resulted in seemingly constant organizational and management changes. The SC suggests that this strategic planning exercise should not be started until the next administration of the Center is in place. The proposed "outcome line" concept, seeking to integrate natural resource management research with CIAT mandated commodities in regional programs, should be seriously considered by the Center in the forthcoming strategic planning exercise. Due consideration should be given to ensure that the production of IPGs will result. Thus the Council, in addition to monitoring the implementation of EPMR recommendations through the annual MTP review, recommends that a) the SC review a draft of the new strategic plan before it is approved by the Board, and, b) a focussed follow up review be undertaken by the SC

eighteen months after the review of the draft strategic plan to report on the progress.

The SC concurs with the Panel recommendations to maintain key research themes and functions (crop protection, forage and rice research, IP capacity, spatial analysis and social science work). The Council also agrees with the Panel's recommendation to strengthen CIAT's agrobiodiversity research program, mainstreaming the current agroecosystem program activities. CIAT's Genetic Resource Unit staffing has been an apparent casualty of the crisis; with additional losses of essential critical mass in entomology, pathology, virology and physiology which the Panel believes should be remedied as a priority (Rec.3). This is strongly supported by the SC and deserves added funding support from investors. The SC feels that the Panel's Recommendation 4, on closer collaboration with ILRI in SSA on forage genetic resources, is highly appropriate, as is Recommendation 6 on IPR in rice and *Brachiaria*.

The SC stresses the need for CIAT and IITA to agree, without delay, on how to coordinate cassava research in SSA. There is a good model for this in the recently negotiated alignment arrangements for rice research in Africa among CIAT, IRRI and the Africa Rice Center. As cassava is arguably a higher current priority food staple than rice for SSA, it deserves to be on top of the alignment agenda for the continent. The SC looks to the Alliance to have resolved any ongoing issues such that a new agreement is in place in 2008.

The Panel considers that CIAT's program and its credibility in LAC is eroding. The SC supports the Panel recommendation for CIAT to re-engage with research partners in Latin America as soon as possible, not missing the opportunities inherent in the forthcoming strategic planning exercise and paying particular attention to the deterioration of relations between CIAT and Colombia, its host country.

Based on the Panel's assessment, the SC believes that CIAT's Asian program appears to include a series of technical assistance projects of an adaptive nature; although well integrated within the region, it lacks visibility at the CIAT HQ.

The TSBF is considered by the Panel as an exemplary program, with many outputs and a high reputation. CIAT is to be congratulated for this accomplishment. The TSBF program is perhaps a possible multidisciplinary systems-based model for the "outcome line" approach proposed by the Panel.

The Panel commends CIAT's regional programs that have matured to be the principal strategic platform for R for D for CIAT. It sees "outcome lines" in the regions as the model for CIAT in future, with regional leaders to be given more autonomy in a decentralization strategy as indicated in Recommendation 9. However, the Panel feels CIAT management is ill-equipped to support this. This is not a problem peculiar to CIAT alone and thus deserves more discussion at both the Center and system levels as it seems to be essentially a matrix management mode (Fig 7.10), with the attendant challenges this implies.

### **Management and Governance**

The SC agrees with the Panel, and is pleased to note the Center also acknowledges, CIAT's need to improve HR management and devise a new IRS staff policy. The SC would like to emphasize that as recommended by the Panel, and by 5<sup>th</sup> EPMR (2000), that CIAT needs to add operational capacity and devise a plan to manage IP.

The SC concurs with the Panel that the current management intervention of the Center by the Board, although justified given the financial and management crisis, should end as soon as

possible and that an action plan to improve management should be put in place as a matter of urgency. The SC also agrees with the Panel that the Board should have done better on due diligence seeing that, as the report indicates, management lacked the required finance and management skills and "...CIAT was living beyond its means since 2002." (p.114). The SC is pleased to see that given the magnitude and the length of the financial crisis the current CIAT Board of Trustees has made efforts to strengthen its financial management expertise.

The SC remains perplexed by the lack of effective and anticipatory CGIAR oversight of Center finance management. The SC believes that the CGIAR cannot afford recurrent crises such as this one without the necessary sound preventive measures. Such measures should go beyond the current annual financial flagging that a Center is not in a "healthy" financial position. If CIAT was spending in excess of its revenues since 2002, as stated by the Panel and agreed by the Center, the CGIAR System cannot wait 5 years for an external review to address the situation. The SC suggests that the CGIAR Scoping Team assess the need to create a stable mechanism to better anticipate and deal with finance, management and governance crises such as the one CIAT has gone through.

The SC notes that CIAT, just as with some other Centers, is losing focus in its research through a much higher reliance on restricted / project funds than in the past. The SC sees one way to assist the Centers deal with the decline is to urge members to support the resourcing of the SPs. The SC recognises that most research institutes today are largely funded through restricted project funding; it is not unique to the CGIAR. However, funding a long-term strategic international agricultural research agenda with a focus on IPGs is not conducive to short-term projects with attendant short-term impact expectations, and does place a special responsibility on investors in the CGIAR. The SC believes that this also requires the system and the Centers to have more discipline in their undertakings; Centers need clear strategic plans, focused MTPs, aligned business plans to resource them and a strong management team to stay focused on implementing them.

#### **In summary**

The SC endorses the recommendations of the Report, notes that the Center is in a process of renewal of leadership and looks forward to CGIAR membership support to the Center's transition into a revitalized global research institute. The SC will review a draft strategic plan that will outline a research approach to implement the EPMR recommendations soon after a new management team is in place. The SC also recommends that a small team re-visit the Center within 18 months to report on the progress in implementing the EPMR recommendations.

## CGIAR SECRETARIAT

### **Commentary on the Governance, Management and Finance Aspects of the Report of the Sixth EPMR of the Centro Internacional de Agricultura Tropical (CIAT)**

*September 26, 2007*

The EPMR was undertaken at a time when CIAT is experiencing a severe financial crisis. The review provided critical insights about the nature of the problems and an analysis of the reasons for CIAT's current distress. The Report points to failures of management and governance as the main reasons for CIAT's severe financial difficulties.

The CGIAR Secretariat thanks the CIAT EPMR Panel for its report. The Review Panel made 7 (out of a total of 19) recommendations on governance, management, and finance.

#### **Governance and Management**

- We fully support the Panel's 7 recommendations on aspects of governance, management, and finance. We are pleased to note that the Center has fully agreed with five of these recommendations and that some initial critical steps, relating particularly to Recommendation 13, have been taken to implement them. Following the submission of the EPMR Report, a number of events have taken place at CIAT, including, most notably, resignation of the current Director General (DG) and the subsequent appointment by the Board of an interim DG who will takeover the management/leadership of the Center in early 2008.
- The Report concluded that various players contributed to CIAT's financial distress- the DG and senior management, the financial management, the external auditor who failed to convey some serious concerns, the Board including its Executive and Audit Committees, and the CGIAR System that detected the warning signs of an impending disaster, but was not able to "influence the center's response to its warnings."
- CIAT did not agree to some elements of recommendation 14. While it agreed to the creation of a Finance Director (FD) position, it disagreed on the recommended direct reporting line of the Finance Director to the DG. Our view is that the key fundamental issue is inadequate (or lack of) supervision of the DG over other members of the management team and the overall guidance provided by the Board, because the specifics of the reporting relationship could be an operational matter that may vary at the center level. We are pleased that the Board and the senior management of CIAT are making every effort to appoint a new Head of Financial Management immediately, as a step in implementing the EPMR recommendation.
- While we endorse the Panel's recommendation to end the Board's intervening mode, we also recognize that in a situation of financial distress and transition period between resignation of the current DG and arrival of the interim DG, the Board will need to disengage from the intervention mode in a phased manner so as to avoid or minimize any gap in providing oversight. In the context of endorsing the panel's recommendation, we would like to urge the CIAT Board to

- endeavor minimizing the transition phase and accelerate the transition of the senior leadership of the center management. Specifically, we see the need for the engagement of the interim DG in center management as early as possible.
- CIAT did not fully agree with recommendation 19. While recognizing possible differences in interpreting the Panel’s assessment on the need for “reinvigorating the leadership of the board and its committees”, we do agree with the Panel’s analyses on the Board’s responsibility and its failure in providing adequate oversight in this important area. In our view, there is an expectation that a “reinvigorated” board leadership goes beyond “revising the way by which Finance Leadership reports to the Board” and the changes in Board procedures and functioning. We are pleased, nonetheless, that the Board has already taken steps to strengthen financial expertise in its membership.
  - We cannot overemphasize the importance of improving human resource management at CIAT. The Panel made it clear that this should become a priority at the Center and pointed out initiatives that must be undertaken. We fully agree with this recommendation and strongly suggest that a Board-approved plan for reform in HR be implemented as an urgent part of the overall “recovery plan” for CIAT.

### **Finance**

- We appreciate the Panel’s incisive analysis of the origins of CIAT’s financial crisis, specifically, the identification of a weak overall control environment as an underlying issue. The Panel’s analysis provided a clear basis for its recommendations on the way forward requiring contributions from all components of the CIAT organization, i.e. the Board, the Management and the staff.
- We specifically endorse recommendations 14 and 18 which are related to financial matters, i.e. reorganization of the finance function and strengthening financial oversight. We are pleased that the Panel recognizes the critical importance of the finance function in any organization, especially one in distress and operating in a complex financial environment such as the CGIAR’s.
- With respect to recommendation 18, the CGIAR Secretariat believes that the Panel’s call for the Board to strengthen its financial oversight role by augmenting its financial expertise, strengthening the control environment and making risk management a standing agenda item of the Audit Committee and full Board is a fundamental building block to putting CIAT’s financial house in order. It is hoped that through these measures, the quality and usefulness of future external audit reports will be enhanced - for example, to explicitly include a “going concern analysis”, as needed.

The CIAT EPMR is also very revealing for some key governance issues at the System level. While appreciating the analysis of the panel on CIAT case, we cannot help asking ourselves “Is there a mechanism at the System level that goes beyond just sending warning signals to centers on financial risks?” There is a great deal of lessons to be learned from the CIAT case, which we hope will be an important input to the ongoing System reform exercise.