

Meeting Summary 3rd System Management Board Meeting

Purpose:

This document presents a summary of the 3rd meeting of the System Management Board (“Board”) held on 1 November 2016 virtually.

By way of overview:

- **Agenda items:** The meeting considered the 6 agenda items set out in the table of contents on the following page.
- **Decisions:** The Board took 3 decisions during its meeting, a compendium of which are set out Annex 1 for ease of reference
- **Participants:** Annex 2 sets out a list of meeting participants.
- **Defined terms from the [Charter of the CGIAR System Organization](#):** Terms such as CGIAR Research, CGIAR System (or System) and CGIAR Portfolio are as defined in the Charter of the CGIAR System Organization.

This Meeting Summary was approved by the System Management Board at its 4th meeting on 17 December 2016 (Decision Ref: SMB-M4-DP2).

Prepared by: System Management Office

Distribution notice:

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Agenda Item 1 – Opening

1. The Interim Chair, Martin Kropff, opened the meeting. A quorum was present.
2. The Interim Chair welcomed the newly joined Executive Director of the CGIAR System Organization, Elwyn Grainger-Jones, extending the System Management Board's appreciation for the work of the Interim Executive Director, Nick Austin, from July 2016 through to end October 2016.
3. The Interim Chair tabled the Preliminary Agenda (Document SMB3-01) and invited comments and additional matters for discussion. The request to take Agenda items 2.1 and 2.2 in reverse order to accommodate schedules was accepted.
4. **Decision SMB/M3/DP1:** The System Management Board adopted the Agenda (Document SMB3-01).
5. The Interim Chair sought any declarations of interest from meeting attendees. System Management Board members serving also as Directors General or members of Center Boards of Trustees were noted to have a non-delegable interest in the matters related to CGIAR portfolio indicators and funding allocations under Agenda item 2.1. Margret Thalwitz noted her role as ICARDA Chair in respect of item 3.

Agenda Item 2.2 – Update from Funding Allocations Working Group

6. Andrew Campbell, Chair of the joint System Council/System Management Board Funding Allocations Working Group (“FAWG”) provided the following highlights of the deliberations of the FAWG to date (speaking to meeting document SMB3-03¹):
 - a. There is continuing focus on elaborating potential methodologies to establish a way forward for a 23 November 2016 System Council decision on how to allocate funding for 2017, noting that the System Management Office has been asked to develop a number of specific scenarios for the next FAWG meeting;
 - b. Consideration was, at the same time, being given to the question of whether space should be created in the 2017 funding year for any new or revised proposal(s). It was noted that, conceptually, the key question is whether there should be some form of set-aside, and then if so, questions arose as to how to quantify such an amount; and
 - c. Whilst the FAWG had benefited from a range of materials to date, including a paper from CRP Leaders on strategic use of Window 1-2 funding, there was an ongoing challenge was that the System did not have better portfolio analysis or prioritization tools to help with decision-making.

¹ Denotes an internal working document of the System Management Board that will be elaborated further in advance of being made available publicly.

7. Contributions to the ongoing work of the FAWG included the following:
 - a. The risk of sending the wrong signals in a system that was seeking to ensure that prioritization and performance increasingly grounded its decisions, if the recommendation is to create a set-aside of 2017 funding (thus, a prioritization in some respects) for proposals that were not prioritized by the System Council at its 2nd meeting;
 - b. A strong preference for the System Council to make an allocation decision based on adjusted budgets post the System Council's 2nd meeting decisions², with the preference being that should funding not reach that position, it would be for the Centers to determine an appropriate means of reducing budgets at that time, rather than starting the year off with what will be seen negative "budget cuts" that may well have a ripple effect for future years; and
 - c. The continues to be a strong interest in Funders working together to identify preferred uses of W1-2 funding, as a longer term means of ensuring greater alignment in the System on the shared agenda items.
8. Responding to a question from the floor, the Director of Finance and Corporate Services also addressed the question of whether there has been an internal review of elements comprised in the "management and support" costs for the approved proposals. It was noted that on available data, a high-level review indicated that such costs fell into two groups, with the first being expressly listed as allowable costs from the Guidelines for Full Proposal, and the second being a further category that the CRP Leaders have identified as key to the proposals, and in most costs, provided analysis on what these costs involved. There was, he noted, modelling that had been done for the FAWG on how these costs impacted the overall budget request.
9. **Action Point SMB/M3/AP1:** Thanking the FAWG Chair for the update, the Interim Chair requested additional inputs or written comments be sent to the Executive Director to share with the FAWG.

² The reduction down from the overall W1-2 budget request from US 220 million (as submitted on 31 July 2016), to revised 2017 amount of US\$ 190.4 million, has been achieved by: (i) removing the W1-2 budget request of GLDC proposal that was not submitted by the System Management Board and for the 2 flagships removed from the proposal by the Board on 26 September; (ii) for at least 2017, taking out the 5 flagships that the System Council has indicated will not receive W1-2 funding; (iii) in respect of the 7 flagships (the 2 now outside the Portfolio and the 5 not funded for 2017), making a proportional adjustment in the requested management and support costs for the proposal overall; and (iv) noting that US\$ 2.6 million in funds is already held by the trustee for the Big Data platform, from the earlier open access/open data special initiative implementation period ending by 31 December 2016.

Agenda Item 2.1 – Update on developing performance management framework

10. Tabling meeting document SMB3-02, the Executive Director provided a status update on the work being done to progress a stronger performance management approach for the System, taking note of the considerable work of CGIAR's Monitoring, Evaluation & Learning Community of Practice ("MELCoP") and the Task Force on Indicators, that had gone before.
11. The Interim Chair shared that based on informal high level feedback on Funder priorities that he had received to date, concrete indicators are expected by some to be presented for discussion at the 3rd System Council meeting, as a means of tracing back performance at the flagship level to overall W1-2 spend, although not specific funder contributions.
12. There were questions about how the qualitative interventions in the System dovetail into the indicators, and if quantitative interventions exist in the System. The Executive Director agreed that this was a topic to take up as work on strengthening performance management across the system progressed more generally, being mindful also of the need to find the right balance between the ask, and the risk that this gives rise to significant additional work and transaction costs. He observed that the scope of such work may necessitate a conversation on staffing at the appropriate time.
13. With the caveat that the view had not been solicited broadly amongst the CRP leaders, the CRP representative proposed that there was a need for a strong scientific focus to any results framework adopted for the newly transformed system, preferably with a small number of meaningful indicators that focus on priorities.
14. Noting that there are different kinds of monitoring at different levels which need to be connected by a common thread, the representative of the USA, commented from the Funders' perspective, CGIAR cannot be viewed only as a research organization that focused on research outputs, with no link to development outcomes. Rather, he emphasized a need for CGIAR to position itself to provide measurements at the development outcome level in addition to research outputs. He added that the hypothesis of how research within the CGIAR Portfolio leads to impact needs to be supported by indicators that monitor the annual performance, including, as relevant, undoubtedly a number of relatively process-level indicators. Further, that indicators have to be standardized to draw conclusions of the development outcomes, and that more broadly in terms of timing for development of an overall performance management framework, a one-year pipeline for development seemed too long. Rather, he expressed the strong preference to have and start collecting data in the first few months in 2017 even if the indicators will be revised during the year.
15. Acknowledging that the IEA would provide additional comments after the meeting to support the further elaboration of the paper, the Head of IEA also cautioned that the paper may need to build into the overall framework other kinds of performance that are captured in a broader way through other channels such as IEA and ISPC in a longer

time frame including ex-ante appraisals and evaluations. It was confirmed by the MELCoP members present during the call that the overall conceptual framework includes different tools and processes that will be used in different spheres of influence in the performance management model, and the elements mentioned by IEA will be integrated and reinforced in the framework to see how the System is progressing towards its targets.

16. It was confirmed that the proposed template for reporting progress will also be included in the package going to the System Council.
17. In summarizing next steps, and by way of endorsement of an overall strategy rather than the draft paper itself, the Interim Chair observed the following elements were necessary to be incorporated into the revised paper that would be submitted to the System Council for its forthcoming 3rd meeting:
 - a. The approach needs to be standardized and pragmatic;
 - b. There should be impact parameters included in the proposal in addition to research parameters as requested by the Funders;
 - c. The cycle for developing indicators needs to be improved and shortened. The current cycle of one year appears too long;
 - d. The conceptual framework should include different elements (e.g. long time-frame vs. short time-frame) at different levels and connections should be made among them; and
 - e. Indicators should be shared as soon as possible before the 3rd System Council meeting.
18. The System Management Board welcomed the offer from the ISPC and IEA to participate as an additional resource in ongoing efforts to elaborate a final paper.

Agenda Item 3 – Considering other critical commodities, geographies and communities for the 2017-2022 Portfolio

19. Eugene Terry, Chair of the System Management Board's Working Group charged with considering next steps on the critical commodities, geographies and/or communities covered in the Grain Legumes and Dryland Cereals CRP proposal spoke briefly to the Working Group's preliminary actions (as recorded in meeting Document: SMB3-04³), seeking inputs on timing, the overall approach, and gaps that colleagues perceived in how the Working Group was taking forward the request of the System Council to approach the potential presentation of a new funding request in a considered and potentially innovative way.

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20. The Chair of the Working Group expressly noted a reluctance by the Working Group itself to define the scope of any future proposal(s), to maximize the possibilities to be considered without any one option being favored going into the process.
21. He also remarked that the Working Group proposed to have a 'small group' of relevant experts to independently steer the process. A preliminary list for candidates for that group has been developed and additional names are welcomed.
22. During the discussions, observations on how to take the work forward included:
 - a. Taking care to not elaborate something that becomes inconsistent with the newly approved 2017 - 2022 CGIAR Portfolio, so that it requires other CRPs to be revisited and reintegrated to maintain a cohesive whole;
 - b. Setting out the rationale and strength of making an open call for proposals, if ultimately relevant; and
 - c. From CRP leaders' perspective, ensuring as efficient a process as is possible, without having too much extraneous work that does not lead to any deliverables.
23. It was also recognized that a number of ongoing tensions existed arising from the System Management Board's decision to not put forward the former GLDC proposal forward as part of the proposed final 2017 – 2022 CGIAR Portfolio. Being sensitive to differing views, the Working Group Chair reconfirmed that he was operating on the basis that the Working Group was formed to be consistent with the clear signals from the System Council at its 2nd meeting, that the System Council remained open to a strong proposal or proposals, in whatever format the System Management Board wished to put forward. In no way was this intended however to preclude the affected Centers continuing to explore how to fund elements of the former proposal as that work progressed. Being pragmatic, it was also recognized that the Working Group's efforts may not result in a final solution, but the goal was to explore the possibilities through thoughtful and time-sensitive process.
24. **Action Point SMB/M3/AP2:** It was agreed that the Working Group would continue to work on the proposal and the Terms of Reference for the small group to be formed, and bring that back to the System Management Board. Further, that the Working Group Chair would reach out to the two relevant Centers about the initiatives they have also been taking, to inform further Working Group efforts.
25. **Action Point SMB/M3/AP3:** The System Management Office will circulate the list of candidates for the 'small group' for input from System Management Board members.

Agenda Item 4 – Funding system actions and entities

26. Taking the preliminary draft paper (document: SMB3-05⁴) as read, the Interim Chair opened the floor for comments and discussions on the proposed 2017 budgets for the nine (9) agreed System entities and the means of funding these costs.
27. Taking note of the proposed inclusion of a provisional budget for CGIAR's existing Internal Audit Unit in the 2017 budget framework, the following clarifications and points were made:
 - a. The Chair of the System Management Board's Audit and Risk Committee ("ARC"), Bushra Malik, clarified that an internal auditing function will not disappear at the system-level all together in the future, as there are requirements for internal auditing at various levels in the System. She also remarked that ARC has started a conversation with the Centers to develop a proposal for the Internal Audit Function contemplated by the CGIAR System Framework, but that shaping a suitable proposal will take time, and in the interim, the existing arrangement of having IAU provide consulting services for Centers which do not have their own internal auditing functions can continue;
 - b. The Interim Chair suggested that IAU check which Centers have an interim solution that is different to the proposal for IAU to provide services, to create an inventory to help estimate its capacity and budgets for 2017; and
 - c. Thereafter, it would be important to follow up with IAU to clarify detailed budget numbers and plans of activities.
28. It was clarified that the budgets for System entities are proposed by the Working Group on funding system actions and entities to be covered by the existing Cost Sharing Percentage mechanism, which covers those costs 12 months in arrears. To fill in the timing gap, the budgets are supported by W1 funds in advance.
29. The Executive Director clarified that there may be opportunities to find additional efficiencies in the budget and overall structure of the System Management Office after he has been able to undertake a detailed assessment of capacity against requested priority actions. The Director of Finance and Corporate Services also confirmed that the proposed 2017 budget for the System Management Office covers combined functions of previous Fund Office and Consortium Office, and is lower than the total budget amount of the two Offices in previous year.
30. **Decision SMB/M3/DP2:** The System Management Board endorsed for proposal to the System Council for consideration, and if thought appropriate, approval of:
 - a. Proposed 2017 annual work plans and budgets of CGIAR System entities and actions in the total amount of US\$ 16.24 million, subject to any reduction

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being possible to identify in the request for Window 1 funding to support internal audit costs prior to submission.

- b. The financing of the 2017 System entity costs through the continued application of the CGIAR System cost sharing percentage mechanism; and
- c. The disbursement to the System Organization and/or Centers of all unallocated Window 1 funds remaining in the CGIAR Fund as of 14 December 2016 as a pre-disbursement of funding to be used to support approved 2017 CGIAR Portfolio and System administrative costs.

Agenda Item 5 – Audit and Risk Committee (“ARC”) report

31. The ARC Chair also presented three key highlights from the ARC’s first in-person meeting on 21 October 2016 as follows:
 - a. Terms of Reference (TOR) for the ARC ARC: Having benefited from ARC member reflections on a first draft TOR, the ARC supports the broad nature of the mandate that has been proposed, but suggests that the TOR be stated at a more strategic level, to give the opportunity for the ARC to evolve as the System continues to strengthen. Accordingly, the ARC has agreed to work with the System Management Office to further refine the TOR, which will be presented to the 17 December 2016 meeting for final endorsement.
 - b. Engagement with Centers: the ARC has commenced the work of building much deeper and better collaboration with the Center Audit Committee Chairs. Already, the ARC has hosted a call with three Center audit committee chairs and one additional audit committee member, and this approach will continue.
 - c. The new Internal Audit Function for the CGIAR system: The System Management Office and the existing IAU have done significant work to deliver a proposed draft framework on how the ARC may oversee the development of a comprehensive risk-management framework for the CGIAR System as a whole. Noting the significant complexities that exist in the revised governance structure, the ARC suggests that the task be undertaken progressively. The ARC therefore plans to present at the meeting in December a first outline of what could be the initial priorities for the system-wide risk management framework. The ARC also thinks it would be very beneficial to consult among Centers on the framework at the occasion of the forthcoming General Assembly meeting before further progress is taken.
32. Based on the detailed deliberations of the ARC its recent meeting, the ARC Chair also tabled the proposal of appointing PricewaterhouseCoopers (“PwC”) Rome as the System Organization’s external auditors for 2016 and 2017 for approval.

33. **Decision SMB/M3/DP3:** The System Management Board approved the appointment of PricewaterhouseCoopers (“PwC”) Rome as the System Organization’s external auditors for 2016 and 2017, subject to:
- a. The audit fee for the 2016 external audit not exceeding €18,000; and
 - b. The ARC’s receipt and review of a satisfactory proposal for the scope of the 2017 external audit, noting the material differences in the 2017 external audit by reason of the organization’s move to IFRS for that year.
34. **Action Point SMB/M3/AP3:** The summary record of the ARC’s 21 October 2016 meeting is to be circulated to the System Management Board members.

Agenda Item 6 – Other Business

35. Tabling a summary report on her attendance at the Global Crop Diversity Trust’s October 2016 Executive Board meeting (Document: SMB3-06⁵), Margret Thalwitz recommended the Board continue to send observers to attend such meetings, suggesting it may be appropriate to select a System Management Board representative that resides closest to the scheduled meeting, both for efficiency, but to also ensure ongoing strong linkages across the System as a whole. The Interim Chair suggested the topic be considered again in more detail at the System Management Board’s 17 December 2016 meeting, at which time broader policy issues would also be tabled to further the genebanks platform implementation approach.
36. The Chair of the Working Group on Resource Mobilization (“RM Working Group”), Eugene Terry, advised that the RM Working Group has prepared an initial draft funder engagement strategy which is one of the four recommendations coming from the outcomes of the group’s in-person meeting on 25 September 2016. He also remarked that the draft document has been shared with the System Management Office for further improvement. The RM Working Group will also work closely with the System Management Office to develop an event calendar to take concrete targets for actions and a proposal regarding financial implications.
37. It was confirmed that the 4th System Management Board meeting is planned to be held on 17 December 2016 in Washington, D.C. Regarding the General Assembly meeting, there was feedback that the initially proposed date of 19 December 2016 might not be convenient for travel due to the upcoming holiday season.
38. **Action Point SMB/M3/AP4:** A poll is to be undertaken to find an appropriate date.

⁵ Denotes an internal working document of the System Management Board that will be elaborated further in advance of being made available publicly.

Annex 1: Compendium - Decisions 3rd System Management Board meeting

SMB/M3/DP1: Agenda

The System Management Board adopted the Agenda (Document SMB3-01).

SMB/M3/DP4: Funding system actions and entities

The System Management Board endorsed for proposal to the System Council for consideration, and if thought appropriate, approval of:

- a. Proposed 2017 annual work plans and budgets of CGIAR System entities and actions in the total amount of US\$ 16.24 million, subject to any reduction being possible to identify in the request for Window 1 funding to support internal audit costs prior to submission.
- b. The financing of the 2017 System entity costs through the continued application of the CGIAR System cost sharing percentage mechanism; and
- c. The disbursement to the System Organization and/or Centers of all unallocated Window 1 funds remaining in the CGIAR Fund as of 14 December 2016 as a pre-disbursement of funding to be used to support approved 2017 CGIAR Portfolio and System administrative costs.

SMB/M3/DP3: Appointment of External Auditor 2016 and 2017

The System Management Board approved the appointment of PricewaterhouseCoopers (“PwC”) Rome as the System Organization’s external auditors for 2016 and 2017, subject to:

- d. The audit fee for the 2016 external audit not exceeding €18,000; and
- e. The ARC’s receipt and review of a satisfactory proposal for the scope of the 2017 external audit, noting the material differences in the 2017 external audit by reason of the organization’s move to IFRS for that year.

Annex 2: List of Meeting Participants

| System Management Board Members | Capacity |
|---|--|
| Martin Kropff | Interim Chair, Voting Center-appointed Member |
| Catherine Bertini | Voting Independent Member |
| Eugene Terry | Voting Independent Member |
| Shenggen Fan | Voting Center-appointed Member |
| Gordon MacNeil | Voting Center-appointed Member |
| Bushra Malik | Voting Center-appointed Member |
| Jimmy Smith | Voting Center-appointed Member |
| Margret Thalwitz | Voting Center-appointed Member |
| Ann Tutwiler | Voting Center-appointed Member |
| Elwyn Grainger-Jones | Ex-officio Non-Voting Member |
| System Management Board Active Observers | Capacity |
| Maggie Gill | Active Observer, ISPC Chair |
| Rachel Sauvinet-Bedouin | Active Observer, Head, CGIAR IEA |
| Eric Witte | Active Observer, System Council Member |
| Tony Cavalieri | Active Observer, System Council Member |
| Karen Brooks | CRP Leaders' Representative |
| Additional Observers and Invited Guests | Capacity |
| Andrew Campbell | Chair, FAWG, Agenda items 1 and 2.2 |
| Karmen Bennett | Senior Advisor, Governance & Board Secretary |
| Albin Hubscher | Director of Finance & Corporate Services, Subject Matter Expert |
| Min Li | Governance Officer, Meeting Support (Remotely) |
| Kathy Sexsmith | Board Chair Support |
| Peter Gardiner | Director of Science Team, System Management Office |
| Philippe Ellul | Senior Officer, Science Team, System Management Office and Co-Chair MELCoP |
| Michelle Guertin | Senior Manager, CIMMYT, and Co-Chair MELCoP |
| Elise Perset | General Counsel, System Management Office |