



AOC advisory note to the System Council:  
CGIAR memorandum on the implementation of governance recommendations

Purpose

The document presents the Assurance Oversight Committee (AOC) advice to the System Council regarding its approval of the CGIAR memorandum on the implementation of governance recommendations. Given the AOC's responsibility of '*Oversight of System-wide governance, risk management and internal controls*,' the AOC was requested to review the memo issued on 22 November 2023 and provide its advice before the System Council is asked to consider the memo during its December 20<sup>th</sup> meeting.

Action Requested

The System Council is requested to review this document as it considers its approval of the CGIAR memorandum on the implementation of governance recommendations.

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Prepared by: Assurance Oversight Committee

## Assurance Oversight Committee advice to the System Council regarding its approval of the CGIAR memorandum on the implementation of governance recommendations

1. The Assurance Oversight Committee (AOC) has reviewed the documents submitted to the System Council by the Ad Hoc Committee on Governance and, as set out in our terms of reference, hereby provides our observations for the System Council's consideration.
2. As always, the AOC would be pleased to further discuss its views or provide any clarifications.

### Specific recommendations

3. The AOC responses to each of the Morrow Sodali recommendations are shown in Annex 1.
4. Specifically, the AOC makes the following recommendations to the System Council:
  - a. **Approve the Morrow Sodali recommendations as presented**, with the following stipulations relating to implementation of those recommendations:
    - i. Regarding Recommendation 4 on the proposed Nominating Committee, the System Council should direct that the work to establish the Committee commence immediately. This will reduce the risk associated with an inability to constitute the Integrated Partnership Board before the terms of the current System Board members expire. Concurrently, the System Council should carefully consider the composition of the Nominating Committee and reflect on the alternative composition suggested by the AOC in Annex 1.
    - ii. To reduce the risk of undoing progress to date, Recommendation 5 (Clarifying the mandates and roles of SB and SC) should allow for a 45 to 60-day window for the System Council to reflect and deliberate on the roles proposed, and discuss with the System Board, before the amended roles are finalized and agreed.
    - iii. The System Council should request that the System Board, together with the Executive Management Team, prepare a high-level plan of how the implementation of the recommendations will be operationalized. Having appropriate tools for providing an effective basis for oversight and expectation management will mitigate the risks associated with ineffective implementation. To facilitate buy-in of the new Executive Managing Director and Deputy Executive Managing Director, a deadline of 60 days from System Council approval of the memorandum is suggested for a presentation of the plan to the System Council. The plan should include:
      - how the System Board and Executive Management Team will organise the work required to implement the recommendations,
      - the key elements of the workplan for each recommendation,
      - linkages and dependencies between the recommendations and therefore the sequencing of implementation,
      - potential risks and challenges that may impact delivery of the recommendations,
      - a cost/benefit analysis of the recommendations, considering the above factors and resourcing requirements, and
      - the manner in which progress will be reported.
    - iv. That the System Council request a full assessment of potential costs related to the implementation of the recommendations and consider CGIAR's financial sustainability when reviewing the proposals.
5. In addition, the AOC draws the attention of the System Council to the AOC comments on Recommendation 21 relating to bilateral funding.

### General assessment

6. The recommendations put forth by the consulting firm Morrow Sodali reflect views expressed through multiple consultative iterations. As such, they reflect relatively widely held views and perspectives. The AOC concurs that they reflect objectives that are beneficial to pursue.
7. However, some of the specific proposals outlined in the memorandum to implement the “Part A” recommendations will require a common understanding on their prioritization, timelines, and a process for any required adjustments, in order to reduce the system-wide risk of failure to implement agreed recommendations. For example, appointing new members of the Integrated Partnership Board will first require the General Assembly of Centers to convene and nominate a representative(s) to the Nominating Committee, for the System Council to set the Nominating Committee Terms of Reference, and for the Nominating Committee to meet and nominate multiple members for approval.
8. In addition, the AOC notes that – in many cases – implementation of the recommendations will not be easy and will involve addressing issues that have proved very challenging in the past. For example, determining the details of who appoints, approves, endorses, and reports to whom in the governance schematic overview; and achieving integration and alignment across some core functional areas and business processes. AOC is of the view that, in aggregate, these recommendations will impose a significant additional workload on staff and could require sizeable input of additional resources.
9. It is possible that, as the detailed work unfolds, the System Council may be required to make specific decisions, including regarding an approach to be taken, or to agree to a modification of some of the recommendations. Having an initial workplan and regular reporting of progress against it will contextualise any such matters, enable effective oversight, provide transparency regarding the process, facilitate a constructive and productive dialogue, and not undermine trust.

Annex 1. AOC responses to the Morrow Sodali recommendations

| Morrow Sodali conclusions and recommendations, and AOC responses   |  |
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| <b><i>Conclusion 1: The current Common Board Membership structure and SB and CB composition is not tenable. It exposes the System and Centers to increased risk and fuels mistrust. However, the Common Board Membership provides a foundation for increased connectivity and coherence.</i></b> |  |
| Rec. 1. In the immediate term, the terms of current SB members must be extended for a transitional period that allows for the adjustment of the current governance model.  | AOC response: Agree.   |
| Rec. 2. The number of SB members should be increased. This will allow each SB member to serve on a smaller number of CB. It will also allow each CB to have fewer SB members and more space to have independent Board members with specific expertise.   | AOC response: Agree. To ensure effective oversight, when the new SB members are appointed the Nominating Committee (NC) should consider composition and representativeness, competency requirements, and the selection process. Review of the current remuneration package could also be considered to ensure that people are attracted for the right reasons.   |
| Rec. 3. To maintain continuity and institutional memory on the SB, the new expanded SB composition should include at least 3-4 current SB members. Additionally, the Nominations Committee should put in place a sequence of staggered SB member terms.  | AOC response: Agree. While an element of continuity is clearly desirable, which SB members provide it needs to be closely matched (by the NC) with issues of composition, competencies, and time availability.   |
| Rec. 4. Create a Nominations Committee of the SC to identify and nominate the appointment of SB members. The composition of the Nominations Committee should include SC and CB members.  | AOC response: Agree and believe this to be an immediate priority. However, the AOC believes that the SC may wish to carefully consider the composition suggested by the Ad Hoc Committee on Governance. The bodies for which the NC will recommend candidates are already structured on the basis of representativeness. As such, representativeness does not need to dominate the composition of the NC. There is always a real risk that recommendations in a predominantly representative group will be on the basis of "negotiated compromises" as opposed to "best person for the job" criteria which independent members can more easily apply. The AOC suggests that the SC consider a membership composition of one nominee each from the SC, SB, and GAC and four independent members. This would ensure that the |

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|   | <p>committee is representative while also promoting independence and selection of the best candidates. The SC may also wish to consider which roles will be considered by the NC – in addition to the SB, should they also act as the NC for current and future formal committees of the SB and SC (but not ad hoc working groups)?</p>   |
| <p><b>Conclusion 2: The roles and responsibilities of the SC and the SB must be clarified, formalized, and clearly communicated, especially in relation to each other and SO management.</b></p>  |   |
| <p>Rec. 5. Clarify the mandates and roles of the SC and the SB and update their corresponding TORs. This must be done to avoid duplication of efforts, ensure complementarity and synergy between the two bodies, and clarify accountability.</p> | <p>AOC response: Agree and believe this is very important. The complexity of coming up with an agreed delineation of roles should not be underestimated. The AOC believe that the SC and SB should carefully consider the roles suggested by the Ad Hoc Committee on Governance and discuss within each group and between the two groups over the next 45-60 days, as opposed to immediate adoption.</p>  |
| <p>Rec. 6. The SB should have a System-wide governance remit (rather than only oversight of the SO). The SB should account to the SC, and the CBs should account to the SB for alignment with global policies and integration requirements.</p>   | <p>AOC response: Agree that the SB should have a System-wide governance remit. Also agree SB should account to SC and CBs to SB. While the principle of this latter point can be agreed immediately there should be full awareness of the complexity of operationalizing these reporting relationships and specificity across a variety of fronts. For example, what policies and procedures are the purview of the CBs, what of the SB, and what of the SC? This is partly addressed in Rec 12 (which policies are integrated, coordinated or independent) and Rec 15 (design a consultative process for development and approval of global policies), but the outcomes from operationalizing those recommendations need to feed into the working modalities of the various governing bodies. Additionally, KPIs/performance reporting is a fundamental tool for operationalizing a reporting relationship and so Rec 15 (develop metrics for a score-card to track performance and integration) needs to be accorded a high priority.</p> |
| <p>Rec. 7. The SB Chair’s role and attention should be focused on System-level governance. We recommend that the SB Chair not sit on any CBs.</p>   | <p>AOC response: Agree.</p>   |

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| <b>Conclusion 3: While the AFRC was recognised as adding significant value, its TOR must be clarified.</b>  |  |
| Rec. 8. Clarify the role of the AFRC in relation to oversight, its role vis-à-vis that of the AOC, and its accountability relationship vis-à-vis the SB.  | AOC response: Agree.   |
| <b>Conclusion 4: Common committee structures (such as the AFRC) and common spaces (such as the BCN) are not fully optimised. However, in general common committees can bring added value and additional areas for a common committee set up should be considered.</b>   |  |
| Rec. 9. Consider applying the model of a 'common committee' to other areas such as science or ethics.   | AOC response: Agree. The AOC believes that common committees in selected areas can be powerful instruments but require careful thought. In addition to the subject areas that may benefit from a committee, the role of the committee would need to be determined (oversight vs. coordination vs. technical advisory); how existing committees in related areas would transition; and whether the particular committee would serve just the SC, the SB, the CBs or the organization as a whole. The AOC would also suggest that careful attention be paid to the access rights to the workplans, agendas, minutes, and periodic reports of the various committees. Free access across the organization increases transparency and knowledge sharing and reduces the need for multiple layers of oversight. |
| Rec. 10. Strengthen and formalize common spaces like the GAC and BCN to foster exchange and connection across CGIAR entities, and to cultivate a spirit of belonging to the One CGIAR family united in urgent ambition. The establishment of additional common spaces for broader stakeholder interaction should be considered. | AOC response: Agree as a general proposition but this will need to be carefully done so that the overall arrangements are coherent, reinforcing, and non-duplicative. For example, the SB will already be a representative board with CB members. Additionally, the GAC could be the body that vets and submits candidates for consideration by the NC.  |
| <b>Conclusion 5: The process for nominating and appointing System Board members is not transparent and not in line with governance best practice.</b>   |  |
| Rec. 11. Develop a nominations process and competency matrix that can support fit-for-purpose Board composition at the System and Center levels.  | AOC response: Agree.   |
| <b>Conclusion 6: Requirements with respect to alignment and accountability among One CGIAR entities, and the roles of the SC and SB in upholding those requirements are unclear. This leads to slow progress on important areas of integration and alignment.</b>   |  |

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| <p>Rec. 12. Determine functions that are integrated, coordinated, and independent in order to clarify which functions need System-level oversight and which functions should be decided by Center Boards. This should be periodically assessed for efficiency and if necessary adjusted.</p>   | <p>AOC response: Agree and the AOC believes this is a key building block from which implementation of several other recommendations will be based and should be high priority. The AOC also believes it should be clarified that this work is not just which functions need to be integrated, coordinated or independent, but should also extend to which processes and activities within a function could also be categorized under this typology.</p> |
| <p><b><i>Conclusion 7: The shortening of CB meetings and the disbanding of standing committees has negatively affected CBs' capacity for oversight of Center activities and reduced their ability to discuss collaboration initiatives across CGIAR.</i></b></p>   |   |
| <p>Rec. 13. Centers should decide on Board meeting duration and agendas with efficiency, alignment and effective oversight in mind. CB meeting agendas should devote sufficient space for integration and collaboration initiatives across CGIAR.</p>  | <p>AOC response: Agree.</p>   |
| <p>Rec. 14. Centers should constitute/disband committees with efficiency, alignment and effective oversight in mind, and avoiding duplication with common committees and in line with global policies.</p>   | <p>AOC response: Agree (see answer to Recs. 9 and 12)</p>   |
| <p><b><i>Conclusion 8: System-wide policies are developed and approved without sufficient consultation and buy-in from Centers and through them the relevant Host Country Representatives. This reduces the trust in the integration process, resulting in resistance towards the gradual adaptations and implementations that are essential to the establishment of the desired unified framework. A related issue is the lack of willingness to share data that would help global decision making and policy development. Decisions taken are not communicated in a transparent and timely manner.</i></b></p> |   |
| <p>Rec. 15. Design and implement an agreed consultation process for the development and approval of global policies and decisions. Developing these policies is key to driving alignment and integration and, while consultation and commitment-building of Centers is important, some Centers should not be allowed to impede with the process.</p>   | <p>AOC response: Agree and this is a high priority. The rubric suggested in Rec 12 should go a long way in developing a workable roadmap for this.</p>  |
| <p><b><i>Conclusion 9: For the governance arrangement to be effective there is a need for joint planning and sequencing so that consultations and decision making can be effective and transparent. The sequencing of the different board meetings in the system may be improved.</i></b></p>  |   |
| <p>Rec. 16. A clear plan of the sequencing of meetings must be developed</p>   | <p>AOC response: Agree.</p>   |

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| <p>to help integrate the various governing bodies in the system, with a time horizon of 12-18 months.</p>  |   |
| <p><b><i>Conclusion 10: The lack of KPIs for both performance and integration reduces the understanding of the progress towards unified governance across stakeholders, the understanding of the benefits brought by the integration process, as well as the confidence in the adequacy of current Board members.</i></b></p>                              |   |
| <p>Rec. 17. Develop metrics and ‘score card’ that can track performance and integration and facilitate mutual accountability among entities and between entity leadership.</p>   | <p>AOC response: Agree. AOC considers this a high priority task as a fundamental tool for exercising managerial and governance oversight.</p>   |
| <p>Rec. 18. Develop a system and tools for SB and CB performance assessments and promote the performance of periodic Board assessments in alignment with global policies and best practices.</p>   | <p>AOC response: See response to Rec. 17.</p>   |
| <p><b><i>Conclusion 11: A lack of internal incentives for engagement in global processes stem from different sources and has led to decreased trust and unclear terms of engagement. Participating in global fora allows entity boards to be better informed about the latest developments and plans and can inform decisions at entity level.</i></b></p> |   |
| <p>Rec. 19. Identify what different stakeholders need from the different spaces where they are asked to (i) engage and ensure that those needs are addressed and (ii) that the outcomes are communicated in a clear and timely fashion.</p>  | <p>AOC response: The notion of engaging, consulting, and feeding back is the correct approach. In practice however, the issues surrounding each global process will have varying degrees of complexity and “ceding control issues,” and the levers for persuading Centers to compromise for the greater good will need to be carefully thought through. In addition, it will be vital to have people at the Systems level who are skilled at managing this kind of consultation/negotiation to mitigate the risk of non-implementation.</p> |
| <p><b><i>Conclusion 12: There is currently a lack of alignment of Center interests and system-level interests, which hampers the creation of incentives for participation, collaboration and Center buy-in.</i></b></p>  |   |
| <p>Rec. 20. Undertake a stakeholder analysis for the CGIAR constituencies to map their interests and help create shared understanding of what the main incentives are for each and see how they can be connected and aligned. A particular focus should be given to Center incentives,</p>   | <p>AOC response: As a stand-alone, holistic exercise this may crowd out other priorities. One approach that could be considered would be to do an analysis along the lines of Rec 12 and then develop a methodology for how they will pursue each, considering the factors above.</p>   |



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| <p>funder incentives, scientists incentives, partner incentives, and Host Country incentives.</p>  |  |
| <p><b>Conclusion 13: Bilateral funding remains the main source of income of most Centers and should be used to encourage integration and not as a reason to not integrate.</b></p>   |  |
| <p>Rec. 21. While it is pooled funding that is currently considered the main incentive for integration, funders should endeavour to make both pooled and bilateral funding supportive of integration. For example, funders should endeavour to make pooled funding available on a multi-year basis and CGIAR should endeavour to develop multi-year financial plans.</p> | <p>AOC response: The risk that bilateral funding undermines Centers incentives to make the concessions needed to align with the One CGIAR vision appears to have already manifested. In any donor funded agency, all unearmarked bilateral funding, or earmarked funding directly to the agency or through vehicles such as trust funds, comes with conditions. To mitigate the risk that the benefits to donors of retaining the bilateral funding modality does not undermine the incentive structure to adjust to the requirements to achieve the One CGIAR vision, the AOC recommends that careful consideration be given to derive a set of conditions, based on the idea floated in Rec 12 and built out as appropriate, that Centers would need to comply with in order to receive the bilateral funds. If these conditions are developed thoughtfully, to pragmatically align with the One CGIAR vision and with the needed specificity, Centers may be willing to make the necessary concessions as a condition of bilateral funding, thereby removing many of the roadblocks being encountered today. It is suggested that the SC engage in an early discussion of this concept.</p> |
| <p><b>Conclusion 14: The performance assessments for CGIAR staff should reflect their performance in relation to their 'own' entity but also to the One CGIAR strategy and System. By making this visible and transparent, the incentive to contribute to the global good will be increased.</b></p>   |  |
| <p>Rec. 22. Performance assessments for CGIAR staff, particularly senior leaders such as DGs, should incentivise behaviour and shape culture that reflects One CGIAR.</p>  | <p>AOC response: Agree.</p>  |
| <p><b>Conclusion 15: There is no agreed framework or common understanding of One CGIAR's organizational culture.</b></p>   |  |
| <p>Rec. 23. Understand CGIAR's organisational culture and create a framework for a common CGIAR organisational culture and behaviours.</p>   | <p>AOC response: Agree but sequenced considering other priorities.</p>   |

***Conclusion 16: Unified governance has taken focus and resources away from other viable forms of integration, such as alliances and mergers between Centers. The value of such integration efforts to both governance and research were widely recognized and they should be incentivized.***

Rec. 24. The consideration of alliances, mergers and clusters between Centers, based on common and complementary research areas, geography and other factors deemed important by Centers, should be incentivised in alignment with global policies.

AOC response: No comment