

## **CGIAR Secretariat's Comments on the Governance and Management Aspects of the Report of the Third EP MR of the WorldFish Center**

The CGIAR Secretariat expresses its appreciation to the EP MR Panel for a comprehensive and discerning review report, particularly on governance and management operations of the WorldFish Center.

The review gave a positive assessment of the overall performance of the Center over the period in review and also of the direction in which it is heading as a research institution in the CGIAR System. The Review Panel makes one recommendation with five components on governance and two recommendations on management. The CGIAR Secretariat supports all three recommendations and also finds the 20 suggestions on governance and management meritorious and deserving favorable consideration by the Center. We are pleased to note that WorldFish has agreed to all recommendations.

We are highlighting below a number of points related to the review findings and recommendations.

### **Board Issues**

We very much welcome the Panel's recommendation on Board and Board Committee restructuring which is aimed at improving the overall effectiveness and efficiency of the WorldFish Board's functioning. We are pleased to note that there was substantial congruence of ideas about Board restructuring between the Panel and the WorldFish Board, and that the latter has recently made the decision to initiate the implementation of a number of the proposed changes. The creation of a governance committee, replacing the nomination committee of the Board, is not part of the Panel's recommendation. No other CGIAR Center has a governance committee in the Board, hence, it is a ground-breaking initiative on the part of the WorldFish Board. Its future impact on the overall Board functioning would be of particular interest to us.

We would like also to join the Panel in complimenting the Board for initiating a facilitated session of evaluation and deciding to develop a Board Competency Profile. This could very well qualify as one of the best practices that could be shared with other Centers.

Board costs were raised as an issue by the Panel, but no specific recommendation or suggestion was made. There is no guideline (except perhaps the average for the System) that one can refer to in assessing whether or not Center Board costs are reasonable. The size of the Center operation is only one of several criteria that may be considered. The increase in cost is justifiable if it translates to increased engagement on the part of the Board members and overall improvement in Center governance.

We note with concern the Panel's observation that some Trustees did not actively participate in the proceedings of the Board and Committee meetings. This is of special

concern especially in view of another observation by the Panel that second-term extensions are given to most Trustees, instead of being based on an evaluation of the trustees' performance.

### **Human Resources Management Issues**

The Panel undertook a thorough review of two key areas under management: 1) human resources, and 2) finance, accounts, and audits. We agree with the Panel that human resources are the "most precious assets" of a research organization like WorldFish. We agree with the Panel on the eight suggestions that it makes on various aspects of human resources management. However, we would like to highlight the Panel's findings on the rate of staff attrition. We find the reported staff attrition rate in WorldFish too high (about 20% in 2005) and far exceeds the System's average. The high rate runs across all functions (units), and the one in Finance is particularly high at 30%. In our view, this poses a risk (deficient internal control environment). The problem requires urgent attention and is clearly important to warrant a recommendation from the Panel for immediate action. Appropriate strategies should be drawn up by the Center to address the problem.

### **Finance and Related Issues**

Although the level of reserves may reflect a combination of factors such as financial circumstances and risk tolerance, a level considered excessive could also convey the wrong message to CGIAR Members, for example, that the Center's financial resources originally intended for supporting priority research are not being effectively managed. At ExCo8, the issue of excessive reserves was formally taken up for the first time, and the CGIAR Chairman was requested to raise it with the concerned Centers through the Board Chair. We are pleased to know that WorldFish has drawn up and begun to implement a plan for utilization of excess reserves as a component of the Center's Investment Plan for 2006. The Finance Peer Review group recently reviewed this plan and will report to ExCo10 that WorldFish's reserves are moving in the recommended direction, based on the Center's 2005 financial outcome.

The Panel recommends that the Center review its indirect cost recovery methodology and introduce necessary changes to bring it in compliance with the CGIAR's recommended guidelines as contained in CGIAR Financial Guidelines Series No. 5 (CGIAR Indirect Cost Allocation Guidelines).

The Panel also looked at WorldFish-GIFT Foundation International (GFI)-GenoMar relationships and partnership arrangements primarily as an issue relating to the management of the Center's IP. We think that an equally critical issue is the potential conflict-of-interest brought about by the WorldFish DG's chairmanship of the Board of GFI, a not-for-profit organization aimed at continuing research on the genetically-improved farmed tilapia strain originally developed by WorldFish and its partner institutions. We feel that the Panel did not devote sufficient attention to this serious

governance issue in its report. However, we are pleased to know that the current WorldFish DG has recently stepped down from the chairmanship of GFI.

**Recommendation**

The CGIAR Secretariat recommends endorsement by ExCo of the WorldFish EPMR recommendations and commends the Center for already taking appropriate actions to implement several of the recommendations.