



**International Maize and Wheat
Improvement Center**
Centro Internacional de
Mejoramiento de Maíz y Trigo

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Dear Per and Francisco:

The CIMMYT Board and Management appreciate the efforts of the 5th EPMP Panel in assessing CIMMYT at a time the Center is under major transition. The report comes at an opportune time for the Center and we find the critical analysis and rich and constructive suggestions to be very helpful in addition to the 23 recommendations contained in the report. The Center's response to the Panel's recommendations and other general observations are attached to this letter.

The Center recognizes that in a number of key areas recommendations of the previous EPMP have been given inadequate attention. We also acknowledge that, in the past, governance procedures have been below international standards of best practice. The CIMMYT Board has recently initiated an ambitious and far-reaching process that will lead to a comprehensive reform of its system of governance.

The Center shares the view of the Panel that "the Centre is now poised to move forward into the future".

We firmly believe that the new vision for CIMMYT of linking pathways to poverty alleviation with improved and sustainable maize and wheat based farming systems, coupled with the undoubted excellence of CIMMYT's new senior management team and staff, augers well for the Center. We continue to look for more efficient means to deliver the outputs of our work so that they impact where needed most- in the households of poor families- and we stand ready to catalyze change processes in the CGIAR.

Finally, we urge donors to invest in the new CIMMYT.

Yours sincerely,

Masa Iwanaga
Director General
CIMMYT

Alexander McCalla
Board Chair
CIMMYT

CIMMYT RESPONSE TO THE 5th EXTERNAL PROGRAMME and MANAGEMENT REVIEW

The CIMMYT Board and Management take this opportunity to thank the 5th EPMR Panel for their time, effort and recommendations. The report is a vital part of the oversight of the Center and will help it ensure continued impact to its stakeholders in the future. Throughout, this response is a collective response of the Board and Management unless otherwise noted.

The Center recognizes that in a number of key areas recommendations of the previous external review have been given inadequate attention. While it would be easy to pass the responsibility for this failure to act to the financial crisis and prior administrations, it is appropriate for the Center Board and management to recognize these shortcomings and to take responsibility for appropriate remedial actions. In many areas such as performance evaluation, cost recovery systems, project management and computerised financial systems, the current Center management is actively working on these issues. We recognize that there has been an under-investment in these areas in the past and we will strive to make changes, with appropriate resourcing, in the short to medium term.

The Center shares the concerns of the Panel on staff morale, and also recognizes that various staff groups have lived through deep financial turmoil, significant staff downsizing and ongoing staff employment concerns associated both with the new alliance with IRRI and implementation of the new strategy. The Center also recognizes, as did the Panel that “despite the ongoing funding crisis... the panel was pleased to find that CIMMYT’s scientific staff continued to produce a range of outstanding outputs”.

CIMMYT is a world renowned scientific institution and as such attaches great importance to the relevance and quality of its science. The Center is encouraged by the positive comments of the panel regarding the “uniformly high quality of the newly appointed Directors”, and that the overall staff quality was ranked by the panel as good to very good. The comments of the panel on the complexities of implementing a program matrix structure are embraced by the Centre and we shall endeavor to instill as much clarity as possible into the various matrix roles.

The CIMMYT Board of Trustees found the Panel’s advice on governance particularly useful. The major preoccupation of the Board since 2002 has been the financial health of CIMMYT but the Board has also been aware that its governance procedures are below international standards of best practice. The Board has recently initiated an ambitious process that will lead to a comprehensive reform of its system of governance. The advice of the Panel has helped refine the thinking of the Board and we are certain that the results of this ongoing process will be a durable framework for the future.

In closing, CIMMYT thanks the Panel again for the professional attitude it showed during its work. The Center highly appreciates the critical analysis and rich and constructive suggestions made in the report. The Center’s Board has requested Management to report at the next meeting of the CIMMYT Board in November 2005 with an outline of progress towards implementing recommendations.

The Center acknowledges and shares the view of the Panel that “the future ahead for CIMMYT is very bright indeed”

CHAPTER 2

General comments: CIMMYT was pleased that the panel recognised that the Centre’s recent strategic planning process had brought together staff and members of the Board of Trustees to critically assess how CIMMYT could build on its historical strengths and remain relevant to its various stakeholders. We agree with the panel that the Centre has adopted a bold new vision and mission and that the strategic direction outlined in “Seeds of Innovation” needs to be fleshed out in a strategic business plan that, amongst other things, will assess the resource needs to implement the plan. A key part of this planning process which will occur throughout 2005 will be the development of a revised resource mobilisation strategy.

While CIMMYT concurs with the panel's judgement that current work is constrained by the restricted nature of CIMMYT's funding there are several excellent examples of projects that have attracted donor support that clearly align with the Seeds of Innovation strategy, including NSIMA ("New seed initiative for maize in Africa"); IRMA "Insect resistant maize for Africa: *Delivering products to farmers*"; and SOFESCA ("Soil fertility consortium for southern Africa"). These projects are strongly supported by the regional communities they serve as they are clearly having an impact on their lives. While it is undoubtedly true that a range of social and political factors will influence the extent to which CIMMYT can achieve its mission, CIMMYT believes that the success of programs such as the African Livelihoods Program demonstrates that the new strategy, when fully implemented, can have a profound effect on the lives of many of the world's poorest communities. As the panel has observed, the Director General has recruited an exceptionally talented team that will lead the implementation of the new strategy. CIMMYT believes this team has the skills and the commitment to lead the significant changes foreshadowed in Seeds of Innovation and to address the poor staff morale that has resulted from the major restructuring.

Clearly the focus in "Seeds of Innovation" on regionalisation of CIMMYT's activities places increased emphasis on both sub-Saharan Africa and South East Asia. The Center continues to seek new project activities, consistent with the strategy, to expand research and impact on poverty alleviation.

1) The Panel recommends that senior management and programme directors undertake a much more rigorous process to define goals for the new strategy that provide a framework within which to organize projects and activities and against which progress in meeting the goals can be measured. In addition to strengthening the implementation of the new strategy, the process will enable the programme directors as a team to identify a set of goals that are congruent across the Centre.

CIMMYT agrees with the recommendation and plans to implement the required actions with immediate effect. The Center in its "Seeds of Innovation" document already has planned for such a set of goals and milestones to be developed during 2005, and for there to be a Center led review of the implementation by late 2006. "Seeds of Innovation" should be perceived as a vision document for the new strategy that is being implemented and will be complemented, as originally planned, by a supplemental plan document entitled "From vision to implementation"

2) The panel recommends that CIMMYT develop a business strategic plan that will support the successful implementation of the new strategy in the face of a dynamic financial environment.

CIMMYT agrees with the recommendation and sees the value in a business style strategic plan document. As with recommendation 1 the Center will begin implementation of this recommendation with immediate effect. A business strategic plan that brings into full operation the "Seeds of Innovation" vision will clearly and explicitly state program goals, milestones, deliverables, focus and balance. The document will also show clear linkages between the setting of institution and program goals, resource mobilization and program budgets. This exercise is also very closely linked to the development of our next MTP (2006-2008) and attendant financing and resource mobilization plans.

3) The panel recommends that CIMMYT management and board undertake a mid-term review in 2007 focused on the implementation of the new strategy, the efficacy of CIMMYT's reorganization and the impact of financial capacity on CIMMYT's programmes and operations.

CIMMYT agrees with the recommendation.

CHAPTER 3

General comments: Overall, the Center found this chapter to be less useful than the report as a whole for two (2) main reasons:

- a) Some complex issues are not fully analysed. For example, the Panel refers to the release of drought tolerant maize OPVs for sub-Saharan Africa and the potential for their cultivation on 1M hectares but questions whether any smallholder farmers grow this material (p27). This analysis does not take into account the considerable role of NGOs in distributing seed to smallholder families and the remarkable increase in the use of improved OPVs in the region.
- b) There appears to be uneven and inconsistent use of CCERs conducted by the Center during 2004. The recommendations of the wheat CCER are largely reflected by the Panel however, in the case of the maize CCER, the conclusions of the Panel do not take into account the CCER report. Furthermore, some of the findings of the Panel on maize research are incomplete and, apparently, contradictory. For example, the maize CCER concluded that *“important contributions had been made to the livelihoods of the resource poor maize producers and to Africa’s maize industry”* while the EPMP report finds that *“it is obvious (sic) that germplasm improvement and better agronomic practices have not yet reached the resource-poor smallholders”*.

The Center notes that the Panel use the number of papers in peer-reviewed journals as a measure of scientific quality however, would no doubt agree that scientific publications are a single and limited measure of scientific excellence. The Center welcomes the Panel’s endorsement of the success of the Rice Wheat Consortium (RWC), winner of the 2004 King Baudouin Award, and agrees wholeheartedly with the need for donor-commissioned project reviews to become routine input to EPMPs.

CHAPTER 4

General comments: The Center is concerned that the overall impression in this chapter is one of CIMMYT falling below critical mass in certain areas such as wheat breeding. The Center is firmly of the view that significant gains in plant breeding methodologies in recent years have increased the efficiency of its plant breeding programs and that simple input measures such as staff classified as “plant breeders” do not adequately reflect the genetic progress that is being made in the improvement of wheat and maize. The Center also notes that the CGIAR 2003 annual report highlights that CIMMYT has the largest investment of all centres in one of the five (5) system outputs: *germplasm improvement*.

- 4) *To facilitate the establishment of a multidisciplinary approach to conducting ex ante impact studies, the Panel recommends that increased integration through time allocation be secured between ITA staff and non-social scientists in the other programmes.*

CIMMYT agrees with the recommendation and notes that a multi-disciplinary approach to research, embracing bio-physical and social scientists, is emphasized in the “Seeds of Innovation” document.

- 5) *The Panel recommends that ITA, in cooperation with the ecoregional programmes, collect data on the variables that explain the heterogeneity of the existing production functions and thus, of yields (both potential and actual) that express differences attributable to productivity gaps within the same agroecological region, due to constraints that limit the adoption of improved technology.*

CIMMYT agrees with the recommendation and considers this approach to be part of a planned wider research effort to assemble and analyze information on factors determining pathways for technology adoption, livelihood impacts and poverty reduction in major wheat- and maize-based farming systems of developing countries.

- 6) *The Panel recommends that (the) ITA (Programme) initiate macroeconomic studies by 2006 in close cooperation with IFPRI and other CGIAR Centres. The highest priority should be assigned to sub-Saharan African countries.*

CIMMYT agrees with the recommendation insofar as it refers to analysing sectoral and rural development policy determinants of wheat- and maize-based farming systems improvement and to identify and advocate appropriate policy and institutional responses.

7) *The panel **recommends** that maize research in CIMMYT identify the high priority Marginal Maize Production Areas (MMPAs) in each mega-environment. Based on such MMPAs, a seed delivery system for improved cultivars should be developed jointly with partners as a vehicle to make CIMMYT's upstream maize research results available to resource-poor farmers.*

CIMMYT accepts the recommendation to focus on low-yielding areas caused by abiotic, biotic and socioeconomic constraints. CIMMYT has a comparative advantage in the development of germplasm for low to very low yielding environments to which much of our germplasm development efforts in sub-Saharan Africa have been directed. We agree that seed delivery systems require further development and, towards this aim, CIMMYT has recently hired a seed systems specialist for our African Livelihoods Program.

8) *The panel **recommends** that maize breeding and research efforts in the following areas be intensified:*

a) *Grain quality characteristics of high priority to end users in MMPAs, combined with more systematic research and breeding to reduce mycotoxin contamination on the grain;*

CIMMYT agrees with this recommendation however, notes the need for additional, sustainable resources to ensure that new initiatives have a medium to longer term outlook. In the meantime, CIMMYT will explore opportunities for collaborative work in this area with IITA.

b) *Testing and evaluation of breeding materials directly in the MMPAs, for identification of the best material for release;*

CIMMYT notes this recommendation and observes that it is routine procedure for experimental materials to be tested in their target environments. CIMMYT has made very significant progress in MMPAs using farmer participatory "Mother-Baby" trials (>1M ha in southern Africa sown with improved maize using this approach) and acknowledges the recommendation as being a strong endorsement of this approach.

c) *Non-transgenic host plant insect resistance research to speed up the process of integration of the highly resistant CIMMYT germplasm into new varieties;*

CIMMYT notes this recommendation. CIMMYT has invested in host plant resistance work for at least 30 years and considerable progress has been made however, increasingly transgenic approaches to insect resistance are providing significant technical gains. We will continue to work on an integrated pest management strategy that is reflected in a number of ongoing projects.

d) *Application of fast track breeding techniques (doubled haploid, MAS, NIR techniques) in all maize breeding activities in CIMMYT;*

CIMMYT partially agrees with this recommendation as the value of these technologies should be assessed on a case-by-case basis. CIMMYT has routinely been using MAS for traits where MAS is more cost-effective than field-based techniques. Recently, CIMMYT has commenced the use of NIR for assessing stover quality in maize and we expect to expand this work. The use of double haploids in maize is a relatively new technique and its utility for marginal and low input environments is yet to be proven. As for our response to 8a) CIMMYT notes the need for additional resources of a medium to longer term nature to implement areas of research of strategic importance.

- e) *Acquisition, storage and management of maize breeding data to eliminate the current back-log.*

CIMMYT agrees with this recommendation and notes that decisions have already been made to allocate more resources to the acquisition, storage and management of maize breeding data within CIMMYT during the next two years.

9) *The Panel recommends that:*

- a) *Crop management research in (the) TES (Program) in the regions be strengthened by allocating NRM (Crop and Resource Management) staff time from other programmes, particularly IAP, to TES;*

CIMMYT agrees with the recommendation and notes that there are at least two avenues to be pursued: a) additional financial resources are needed for the TES Program; and b) increasing the overall staffing and cross program assignments of Crop and Resource Management scientists generally.

- b) *CIMMYT, TES in particular, seek collaboration with other CGIAR Centres in the region, including shared appointments of agronomists and other natural resources specialists;*

CIMMYT agrees in principle with the recommendation. We will follow up on some initial discussions that have already been held with three other centres and also on emerging collaboration among centres within the Water and Food Challenge Program.

- c) *The Crop and Resource Management Group, TES and other ecoregional programmes enhance strategic research on natural resource management, particularly for improved water and nutrient use efficiency.*

CIMMYT agrees with the recommendation. Already there is an increased emphasis on more strategic research through two recent appointments and we plan to enhance this approach in future projects

10) *The Panel recommends that the IAP breeding teams work closely with crop management and social science groups to develop cultivars that are suitable for conservation agriculture, use water efficiently and are resistant to storage losses.*

CIMMYT notes the recommendation and observes that activities in the RWC have embraced genotype by management (conservation agriculture) interactions for some time. The plant breeding programs in both maize and wheat, in recent years, have aimed at the development of germplasm with an emphasis on input use efficiency (water) and resistance to storage losses (maize) and the development of materials suited to conservation agriculture. The breeding programs in Mexico run a parallel selection program under conservation agriculture and conventional conditions.

11) *The Panel recommends that IAP undertake long term experiments to evaluate cropping system sustainability with the results being fully utilized for strategic research as well as for demonstration purposes.*

CIMMYT agrees with the recommendation insofar as it relates to long-term trials conducted on CIMMYT's experimental stations in Mexico and notes that trials over the past 10 years in Mexico have provided an excellent platform for strategic research and demonstration. In regional locations, CIMMYT collaborates with research partners to effectively design, manage and utilise long-term crop management trials.

12) *The Panel recommends that IAP increase its research in maize cropping systems and their development.*

CIMMYT agrees with the recommendation and we expect to focus attention on the maize producing regions of Asia where demand is increasing at the fastest rate.

CHAPTER 5

*13) The Panel **recommends** that the data acquisition, data management and genebank user interface be upgraded in the CIMMYT genebank for both wheat and maize as a matter of urgency.*

CIMMYT agrees with the recommendation and notes that significant steps are already underway through several different system-wide initiatives to develop a range of integrated modules to fully computerise data acquisition, genebank management, germplasm evaluation and database query across both crops.

CHAPTER 6

General comment: The Center is very pleased to note the Panel's comments at the end of the chapter: *"in terms of developing stress resistant wheat and maize targeted at smallholder producers farming in harsh environments CIMMYT has no peer. In that sense, the quality of science at CIMMYT is outstanding"*.

CHAPTER 7

General comments: CIMMYT is pleased that the panel affirms the importance of effective partnerships to the "Seeds of Innovation" strategy and acknowledges the track record CIMMYT has already established in this regard. The Center agrees that the formation of meaningful partnerships and alliances with other CGIAR centers, NARS, NGOs and ARIs will be essential if CIMMYT and other CGIAR centers are to remain relevant to the communities they serve. For this reason, CIMMYT has wholeheartedly embraced the concept of a formal alliance with IRRI and strongly supports the recommendations of the oversight committee convened by the Rockefeller Foundation. However, the Center also shares the view of the panel that there is considerable scope for greater integration of activities with many other CGIAR centers and is committed to ongoing dialogue with the centers mentioned in the report in order to build critical mass, improve efficiencies and enhance the impact of CGIAR activities on the lives of the poor. CIMMYT concurs with the Panel's suggestion that there must be clear definition of those interactions that will be critical to implementation of the "Seeds of Innovation" strategy. The Center fosters excellent relations between individual CIMMYT scientists and scientists from other institutions and there are many examples of highly productive interactions with NARS and NGOs throughout CIMMYT's regional networks.

*14) The Panel **recommends** that:*

a) Training coordinator position be relocated to an independent Unit reporting directly to the DDG-R;

CIMMYT notes the recommendation. As set forth in the CIMMYT strategy, training and capacity building activities are an integral part of the knowledge management and sharing activities of the ITA Program. These activities are closely related to broader ITA thrusts on the orientation of CIMMYT and its partners to livelihoods and poverty reduction; support to the use of best practices; priority setting and impact assessment; and, advocacy of effective policies to foster impact on the ground.

b) The Training Unit working together with programme directors develop a priority setting tool, both thematic and geographical. The resulting priorities should then be used to allocate resource to the programmes;

CIMMYT agrees in principle with the recommendation for training purposes and plans to implement a priority setting tool as part of the enrichment of the Resource Allocation Tool that was developed during the strategic planning exercise, noting that priorities for capacity building need to be determined within and across programs.

c) CIMMYT develop innovative alternative funding schemes for training

CIMMYT agrees in principle with the recommendation and is actively exploring a variety of options internally and with external stakeholders, including private sector support. Fellowship programs, both internally and externally funded, will be implemented to facilitate capacity building.

CHAPTER 8

General comments: The Center is extremely grateful for the thought the EPMR panel has given to this section of the report and Appendix VII. The Board recognises that certain aspects of governance oversight of CIMMYT have failed in the past and has been working with the new management team to improve governance processes.

During its March 2005 meeting, the Board held a one day session to review CIMMYT's governance. A strong consensus was reached on a concept for full and in depth reform of our governance system. This concept will be further developed in the coming months along with a detailed business plan for its implementation after formal approval during the November 2005 Board meeting. Many of the EMPR observations have reinforced our own analysis of the Board's strengths and weaknesses and the recommendations provide a very constructive framework to guide the reform process. At the end of this process we expect that CIMMYT will have a fully revamped governance system of the highest international standards.

In the meantime, we have initiated a number of specific changes in response to the EPMR report with the aim to address the following:

- a) Improved quality of the information provided to the Board.
- b) Agenda setting that is organised to encompass both continuous items of Board work and strategic issues.
- c) Performance evaluation of the Director General that is clearly aligned with CIMMYT's key objectives.
- d) Better use of CCERs as the primary mechanism for science review.
- e) Greater role for the Board in resource mobilization.
- f) Better monitoring of progress on key CIMMYT business issues.
- g) No overlap of trustees on the Audit and Finance and Administration Committees.

Finally, CIMMYT wishes to record that it will continue its dialogue with IRRI and is fully committed to achieving the vision of governance and management recommended by the oversight committee convened by the Rockefeller Foundation.

15) To help ensure that CIMMYT builds and sustains high functioning Boards, the Panel recommends the establishment of a governance committee with responsibility for a range of activities essential to Board effectiveness, including defining more clearly the role of the board, developing a more strategic process for identifying and recruiting board members, assessing board performance on a formal basis, evaluating the performance of members before re-election, recommending improvements to board practice, such as meeting design and preparation, information flow and communication, and developing an orientation and ongoing education program for members to enhance their performance

The Board is committed to fulfilling its role to the highest possible standards; with this goal in mind the Board has agreed to further reduce its size to no more than seven appointed members while maintaining the appropriate mix of skills, and to enhance the roles of the Audit and Finance and Administration Committees as agents of the Board. Rather than create a separate governance

committee CIMMYT intends to engage a specialist consultant to help the Board and its committees clarify their roles and put in place a more strategic process for identifying and recruiting board members, assessing board performance on a formal basis and evaluating the performance of members before re-election. The consultant will also provide advice on meeting design and preparation, information flow and communication and will work with the Board to develop an orientation and ongoing education program for trustees. It is anticipated that the consultant will also be engaged to review the effectiveness of the Board's processes, in the first instance on an annual basis. In future it is intended that the Board as a whole will explicitly address governance functions in lieu of a governance committee.

*16) The Panel **recommends** that a dedicated staff person in the DG's office be identified to serve as the Board Secretary. This position should have sufficient status within the organization, clear responsibility and also adequate time to provide support and coordination for the board.*

CIMMYT agrees with the recommendation and has already (effective March 2005) implemented this recommendation.

CHAPTER 9

General comments: CIMMYT is pleased that the Panel recognised the role the new Director General has played in leading the institution through an extremely difficult transition which involved painful restructuring and reorientation such that CIMMYT can continue to be relevant in today's environment. The Panel clearly acknowledge the complexity of the change process that is being lead by the Director General and his management team and it is pleasing that the quality of the program directors that will be critical to the future success of CIMMYT's strategy is acknowledged elsewhere in the report. Notwithstanding the commitment of this group, CIMMYT is acutely aware of the poor morale of many CIMMYT staff and in total agreement with the Panel that this needs to be addressed with utmost urgency.

In addition to the specific recommendations made by the Panel we would like to put on record a number of important observations and suggestions that will be acted upon by the Center:

- a) The host country agreement will be reviewed.
- b) Careful attention will be paid to the new matrix management arrangements; effective implementation will be monitored by the Board and, where necessary, management training programs will be put in place.
- c) Professional project and finance management systems will be implemented.
- d) There will be close fiduciary oversight of Generation Challenge Program funding.
- e) A comprehensive business plan to deliver the strategy articulated in "Seeds of Innovation" will be developed for approval at the November 2005 Board meeting.
- f) Corporate services functions will be strengthened.
- g) The human resources function will encompass the support of the Center's human resources strategy.
- h) CIMMYT has agreed, in principle, to implement the One Staff policy.
- i) A new performance management system to support the new organisational structure will be implemented.
- j) New financial oversight measures have been implemented.
- k) CIMMYT will budget annual surpluses of the order of \$2M until 2007 to ensure that working capital of 90-120 days of operations is accumulated.

*17) The Panel **recommends** that management review the staff survey results in detail with special attention to staff morale, communication of policies, clarity of goals, performance recognition, and staff evaluation, and take appropriate corrective action as a matter of urgency.*

CIMMYT agrees with the recommendation. Clearly, CIMMYT is in a period of transition and it is inevitable that staff morale has been affected over the past two years which have seen down-sizings. CIMMYT will work extremely hard to ensure that all staff have clarity on the future and an important aspect of this will be a new One Staff policy that is already agreed in principle by the Board. Consistent with recommendations 1) and 2) we fully expect that communication of roles and responsibilities to staff, with attendant policies and procedures, will greatly assist staff function and morale.

*18) The Panel **recommends** that management give priority to reforming financial management at the Centre, including budget, staffing and related systems, with highest priority given to the development of a computerized financial management system that provides real on-time financial information to users; and urgently develop (in consultation with programme staff) a transparent resource allocation process consistent with needs of the matrix management system.*

CIMMYT agrees with the recommendation. We have already commenced the implementation of the following systems which are the initial building blocks for the development of a more comprehensive financial management system:

- An integrated human resource information system (HRIS); the first phase of this project will be implemented by the end of March '05 and the complete staff database will be finalized by the end of June '05.
- CIAT's project manager application. We plan to have an effective project management system in place during the 3rd quarter of '05.

The issues surrounding the development and implementation of a completely new financial management information system are being currently reviewed and we are evaluating options of moving to a shared service with another CGIAR Center as a first priority.

*19) The Panel **recommends** that management carefully examine the correctness of the net assets (equity) balance for 2004 attributable to the increase in 2003 (of approximately US\$ 2.0 million) from fixed assets write-off and revaluation.*

CIMMYT notes this recommendation and has reviewed it with our External Auditors who have confirmed that, while the detail that was presented in the 2003 financial statements was less than clear, the treatment was correct. The disclosure issue has been clarified in the 2004 financial statements and the relative balances of CIMMYT's net asset categories are correctly stated.

*20) The Panel **recommends** that the Board and management develop a set of financial indicators for measuring the Centre financial performance and health. The indicators should supplement those developed by the CGIAR System in close consultation with CGIAR Secretariat and Centre Finance Directors.*

CIMMYT agrees with the recommendation. We have discussed and agreed upon a set of financial indicators at the March '05 Board meeting. These indicators are based on those developed by the CGIAR.

*21) The Panel **recommends** that a full cost recovery/pricing system for support services be implemented to recover the full costs from projects and users of services. This will reduce the pressure on unrestricted funding and make it available for other high priority activities at the Centre, including building the working capital to the required level.*

CIMMYT agrees with the recommendation and has already implemented changes within the '05 budget that will lead to full cost recovery from projects and users of services. It is expected that

through a combination of restructuring of our internal costing practices and improved project costing when submitting proposals to donors, we will be able to substantially improve our performance in this area.

22) *The Panel **recommends** that Board and management:*

- a) Make substantial efforts and allocate adequate time for the careful review of the external audit (at headquarters and regional operations), management letters and the audited financial statements with the notes;*
- b) Carefully review the annual audit plans and scope of external audit for headquarters and regional operations;*
- c) Formally assess annually the performance of the external auditors before deciding on their re-appointment.*

CIMMYT agrees that the external audit function is crucial to the fiduciary oversight of the Center by the Board and asserts that its Audit Committee takes its roles in relation to the External Auditors seriously. The CIMMYT Board Audit Committee and full Board will continue to commit substantial time and effort for the careful review of external audit reports for headquarters and regional offices. The Committee annually receives audit plans, and will review the external audit scope to reflect management's and the Board's assessment of risks, taking into account the changing nature of the Center's programs at headquarters and in the regions. The Audit Committee will develop and implement a formal plan for assessment of the External Auditors prior to renewal or selection of new auditors.

23) *The Panel **recommends** that Board and management review the scope of internal audit work and the capabilities of the senior internal auditor and make the required changes to strengthen this important function.*

The CIMMYT Board and Management agree that CIMMYT must have a strong internal audit function. The scope and capabilities of the internal audit function will continue to be under review and all necessary and appropriate actions will be taken.

Conclusion:

The Center shares the view of the Panel that "the Centre is now poised to move forward into the future". CIMMYT notes the conclusion of the Panel that "there are still outstanding issues, but for the most part the hard work is behind it" however, we stay firmly committed to the remainder of the task ahead. While we agree with the Panel that "the new strategic plan provides a strong vision for CIMMYT in the future" we share its concerns that more work is needed at the implementation and goal setting levels. The Center in its document "Seeds of Innovation" indicated that it would review the status of implementation of the new strategy in late 2006, a suggestion that dovetails well with the view of the EPMR Panel.

In its concluding comments the panel rightly looks at the CIMMYT of tomorrow. The panel indicates some of the many challenges that still are ahead in a changing world; and draws attention to the key role that CIMMYT has had since its inception of providing public sector improved germplasm. CIMMYT recognizes and restates its clear role in this area. This is one of its enduring strengths as explicitly highlighted in the new strategy. CIMMYT also recognizes the importance of the substantial new investment that is needed by the Center that results from the financial crisis prior to 2002. CIMMYT hopes that donors heed the comment of the Panel that the Center must "seek additional capital support from donors".