

Meeting Summary 1st System Management Board Meeting

Purpose:

This document presents a summary of the 1st meeting of the System Management Board ("Board") held on 11 and 13 July 2016 in Paris, France.

By way of overview:

- **Agenda items.** The meeting considered the 10 agenda items set out in the table of contents on the following page. As an interpretation note, the meeting summary records the deliberations in the order of the approved agenda rather than a daily summary.
- **Decisions.** The Board took 10 decisions during its meeting, as set out in the record of decisions dated 22 July 2016 (document SMB1-19), as referenced at Annex 1.
- **Summary of Teleconference:** Annex 2 sets out a summary of the all Centers teleconference held as part of Agenda item 8 of the meeting.
- **Participants.** Annex 3 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 by virtual decision with effect from 8 September 2016 (SMB-M1-EDP1)

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Agenda Item 1 – Welcome and Introductions

1. The presumptive Interim Chair of the System Management Board ('Board'), Martin Kropff¹, welcomed meeting participants and confirmed the presence of a quorum.
2. Mr. Kropff invited attendees to introduce themselves. The voting members highlighted their experiences as reflected in the short biographies circulated in advance (meeting document [SMB1-01](#)), with introductions also made by the Interim Executive Director, Active Observers, and other attendees.
3. In thanking everyone for their time and shared commitment, Mr. Kropff affirmed the vision of the Board to build on the past strengths of CGIAR in the transformed governance system, to help take the CGIAR System significantly forward.

Agenda Item 2 – Agenda, Interim Chair, and Operating Procedures, SC1 agenda

Meeting Agenda

4. Tabling the Preliminary Agenda (meeting document SMB1-02, with the short form document accessible here: [SMB1-2A](#)), the Acting Chair outlined a proposed approach to the meeting given the number of topics before the Board. The Board agreed with the approach, namely, focusing on the major issues, setting up working groups to explore important issues further, taking necessary decisions, and deciding what can be scheduled for later meetings.
5. **Decision SMB/M1/DP1:** In adopting the Agenda, as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#), the Board agreed to take agenda items 4 and 5 in reverse order, to ensure that preparatory discussions could take place amongst the Board on topics also before the 1st System Council meeting on 12 July 2016 ('SC1'). It was also agreed that the Board would review more generally the SC1 agenda (refer paragraphs 14 and following below), after taking the Board's own early procedural decisions.

Interim Chair Terms of Reference and appointment

6. The Acting Chair noted that the next item of business was the Board's formal appointment of its Chair, recognizing that there is a broad desire for an independent Chair, and that independent members have indicated their desire to understand the work and processes before considering further their respective availability to take on the Chair role. The possibility of additional independent members was also raised, with the importance of being open to such developments in the future highlighted.

¹ On 24 June 2016, the 15 CGIAR Research Centers agreed to the appointment of Martin Kropff as interim System Management Board Chair, being a decision taken at the same time as the Centers' formal approval of the inaugural nine voting members of the System Management Board.

7. At the Acting Chair's request, Eugene Terry, independent Board member, assumed the role of temporary Vice-Chair in order to lead the session on approval of the terms of reference ('TOR') for, and the appointment of, the Interim Chair of the Board.
8. The temporary Vice-Chair directed the Board to the proposed Interim Chair TOR set out in appendix 1 of meeting document [SMB1-03](#), and invited input. Discussion on related elements of procedure followed, including on costs and indemnification, including confirmation that the proposed indemnification of the Interim Chair set out in paragraph 9 of the TOR replicates the same indemnification that the System Council requires the Board to provide to the System Council Chair once appointed.
9. **Decision SMB/M1/DP2:** The Board agreed the Interim Chair TOR and approved the appointment of Martin Kropff as Interim Chair, as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#).

Proposed Board Rules of Procedure

10. The Interim Chair drew Board members' attention to the proposed Rules of Procedure ('Rules of Procedure', meeting document [SMB1-04](#)), confirming the proposal that the rules apply for the inaugural meeting and until such time as they are revised or replaced by a decision of the Board.
11. It was confirmed that the Rules of Procedure of the former Consortium Board had been taken as a starting point, but that a number of adjustments had been made to ensure that all items were in line with the Charter of the CGIAR System Organization ('Charter') and changed elements of the new system. Clarity was also sought and provided on the definition of a quorum (as defined in article 9.3 of the Charter) and the rules for decision making, including the type of majority required should a proposition before the Board be subject to a vote in line with the provisions of the Charter. It was confirmed that pursuant to the CGIAR System Charter, a quorum for a meeting required six members, requiring no less than 5 members from the Centers, and one of the six must be the Chair or a temporary Vice-Chair and one of the six (the same or another) must be an independent member. Should a vote be called, it is a two-thirds majority of those present after a quorum is confirmed and not all 9 voting Board members.
12. Board members provided a number of comments on possible improvements to the clarity of language in the Rules of Procedure, with consensus reached that for pragmatic reasons such inputs would be collated separately by the System Management Office for a proposed revised version at a later date, thus ensuring that an approved Rules of Procedure can be used for the inaugural meeting.
13. **Decision SMB/M1/DP3:** The Board approved the Rules of Procedure as interim rules, requesting also action on the part of the System Management Office ('Management Office') moving forward, as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#).

Preparation for System Council 1st meeting deliberations

14. The Interim Executive Director outlined his understanding of the manner in which the SC1 meeting would proceed, including the presumptive System Council Chair's desire to spend a considerable amount of time reflecting at a high-level on expectations for the future. Procedural matters would be handled as expeditiously as possible, sharing the Board's pragmatic view that the opportunity exists to amend or rescind procedural documents at a later time should such a decision be required.
15. With this background, and reflecting on the draft Preliminary Agenda for SC1 as shared in paper format, the Board agreed that it should consider which of the Board's items were also for discussion during SC1, with priority being given to those items where a clear Board position should be taken into that meeting.
16. Noting that the Board's agenda item 6 would involve a discussion on specific inputs into SC1, the Board focused its discussion at this time on the following two key thematic areas:
 - a. Ensuring ongoing engagement in the work of the Fund Effectiveness Working Group ('FEWG'): An initiative of a number of CGIAR's Funders, and formed on an ad-hoc basis by the former Fund Council to undertake a review of the proposed 2017 – 2022 CGIAR Portfolio from a development perspective, to complement the detailed review being undertaken by the Independent Science and Partnership Council ('ISPC').
Decision SMB/M1/DP4: The Board decided that the Interim Executive Director should attend the FEWG meeting and be the Board's primary representative moving forward, as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#).
 - b. The desirability of delivering sustainable and predictable funding for CGIAR Research moving forward, and the critical importance that the Board wished to attribute to this topic. Recognizing that SC1 was unlikely to present an opportunity to engage the System Council in a detailed conversation on this key strategic question for the CGIAR System, it was agreed that the Interim Chair should raise the topic in advance of the opening of SC1 as a matter that the Board wished to have before the System Council at the first available opportunity. Points that the Board discussed as helpful contributions to that informal briefing included:
 - i. The CGIAR System Framework does not clearly articulate a responsibility on the System Council to undertake resource mobilization. As a lesson learned from past ambiguity, it will be important to ensure a strong collaborative framework, so that it is not everyone's responsibility, and yet no one's responsibility.

- ii. Article 8.1 (y) of the Charter requires that the Board “oversee the development and implementation of proposals for resource mobilization and strategic expansion of funding at the system level, including innovative financing approaches and mechanisms to stabilize flow of funds.”
 - iii. Whilst the role of the System Council in facilitating the process should not therefore be discounted, historical leadership in this area by the funders has not been a constant. Donors are considered to have the high-level access required for this, but have not always taken the lead in asking other donor agencies for funding for a range of reasons.
 - iv. Clearly, more can be done to provide funders with clear messages on the impact of individual and collective financial contributions across the CGIAR System.
 - v. The capacity in the System Management Office to support a comprehensive approach to stabilizing resources, and the role that could be played by high-level CGIAR Ambassadors should also be examined. The Interim Executive Director noted considerable untapped potential in regard to system-wide initiatives that could be supported by the System Management Office. Communication of success stories, including the example of four CGIAR scientists recently being awarded the World Food Prize, should be part of the considerations of the work required in this regard.
17. As a conclusion to the discussions, the Board agreed to form a working group on resource mobilization. The Board recommended that the Interim Chair raise the possibility of Funder representation on the working group with the System Council Chair at an appropriate time. Further, recognizing the essential need for success moving forward, it was agreed that the working group should draw on the materials of the former Fund Council’s senior steering group that had been looking at the possibility of a fund drive in 2016, or 2017.
18. **Action Point SMB/M1/AP1:** In consultation with Eugene Terry, proposed chair of the working group on resource mobilization, materials concerning the earlier work on a CGIAR Fund Drive should be circulated to the Board as a basis for commencing these important discussions.
19. The Board also briefly discussed the issue of paralysis in decision making on system-wide matters identified by the Consortium Board in their handover materials and the reasons for this, identifying the previous imbalances in the former two-pillar system, and at times sub-optimal communication, which led to some items approved by the Consortium Board not making it on to Fund Council agendas. The important role of the System Management Office in supporting improved agenda management was emphasized. The role of the Board in providing good quality recommendations and

analyses to facilitate System Council deliberations and decision-making in a manner that recognizes the full impact of decisions on Centers was similarly identified as a key mechanism to address inefficiencies in the prior governance system.

Agenda Item 3 – Reflecting on the Transition

Reflecting on the transition outcomes and areas to consider moving forward

20. Taking into consideration the themes set out in the Background Notes for this session (meeting document [SMB1-05](#)), the Interim Chair invited reflections from Board members.
21. There was considerable discussion on the issue of how the Board would manage conflicts of interest issues (item 2, document 5), particularly in regard to the Board's key task of recommending the annual allocation of Unrestricted Funding as set out in Article 8.1 (bb) of the Charter. During the discussion, the following themes evolved:
 - a. The standard good governance practice of all Board members adhering to an appropriate conflicts of interest policy and making relevant routine declarations was acknowledged, and should be a key priority for the Board to have in place. This should include examples on the types of conflicts that may arise in order to provide additional guidance for those involved in deliberations to take into account when determining if a matter before the Board places them in a position of potential conflict of interest.
 - b. That others not in the room should have confidence in the objectiveness of discussions without needing to be present, was identified as critical to maintaining the trust and confidence of the Centers, the Funders, and the CGIAR System as a whole.
 - c. The election of a strong independent Board Chair was identified as important to the principle of transparency of decision-making for a governing entity such as the Board with its membership configuration.
 - d. As a lesson learned, it was suggested that well defined guidelines and clearly thought-out scenarios in advance of the time when a decision needs to be taken are important.
 - e. The complexity of the preparatory work will necessitate faith in the professional work of a strong System Management Office.
22. It was proposed that a working group be formed to consider the issue as one part of a wider remit looking at the rules of governance, and drawing on inputs from the System Council appointed ISPC, regarding principles for the effective management of conflicts of interest. In the interim, the Board agreed that it was important to at all times keep in mind that the Directors General and Center Board members who now also served on the System Management Board did so in the interests of the CGIAR System Organization supporting the work of the CGIAR System and not as representatives of individual Centers.

23. Regarding the topic of cost charging by hosting Centers (item 9, document 5), the Interim Chair drew the Board's attention to the pilot in Addis Ababa between CIMMYT and ILRI, noting that there was the opportunity for others to join this also. The System Management Office's Director of Finance and Corporate Services also referred to discussions at the System-wide June 2016 meeting of Directors of Corporate Services ('CSEs'), where a group reflected upon indirect cost allocations amongst all Centers and established a catalogue of comparison, thus confirming that this topic was already being considered amongst the CSEs.
24. It was proposed that a working group on cost sharing for hosting Centers be established to identify opportunities for shared corporate services and other means of improving financial efficiency where multiple Centers operate in the same country.
25. Concerning items 4 and 5 of document 5, a clarification was also provided on why the Funders are formally outside of the CGIAR System Organization. Namely, that a small number of the Funders would not have been able to operate in a governance model that conferred upon those Funders direct legal fiduciary responsibility over an international organization such as the CGIAR System Organization. However, the Board was informed that there is an ongoing connection through the Framework Agreement and the CGIAR System Charter between the Funders, the Centers and the System Organization and, in respect of window 1 and 2 Funders, there will be a direct contractual relationship through the funding agreements for 2017 – 2022.
26. **Action Point SMB/M1/AP2:** Noting a number of additional points raised during the meeting, and that particularly for the independent members, the history may not be as available as for others, Ann Tutwiler volunteered to schedule a briefing call with Catherine Bertini specifically on the background to the Fund Council's April 2015 Bogor meeting decisions, including providing additional background on the CGIAR system-wide Mid-Term Review and the final Options Team report.
27. To conclude discussions on this topic, the Board turned to item 7 of document 5, the need for an appropriate Internal Audit Function. The Interim Chair reaffirmed the importance of this aspect to the new System and noted that it was important for a re-think of the existing internal audit arrangements to ensure that risk and opportunities were linked up. Further, that there could be an arrangement that guarantees the voice of the Centers, the Board, and the System Council, and that all appropriate matters from a risk and assurance perspective are considered. The Head of the IEA noted that it would be important to avoid duplication with the respective mandates of the IEA and any internal audit arrangement, and that the IEA's view should therefore be sought as the group elaborated the most appropriate formulation for the Internal Audit Function contemplated by the Charter.
28. Recognizing that the topic was one that required attention before the end of 2016 by reason that existing arrangements are then expected to come to end, the Board agreed that it would be important to put in place interim membership of an Audit and

Risk Committee, with the internal audit function elaboration as being one of the key priorities for the group.

29. As a starting membership, it was agreed that Bob Semple, a professional in the audit field, would be invited to join the committee in addition to three of the Board's own members, without restricting additional membership changes in due course.
30. **Decision SMB/M1/DP8:** as set out in [Annex 1: Record of Decisions 1st System Management Board meeting](#), records the Board's decision to form the Audit and Risk Committee, and the appointment of the initial four members of that committee.
31. The Board also discussed the formation of the second standing committee required by the Charter, the Strategic Impact, Monitoring & Evaluation Committee. The suggestion was made that the Interim Executive Director bring a proposal on the establishment of the committee to the Board's second meeting in September, other priorities permitting. It was further confirmed that support of the Board's committees will be one of the roles of the System Management Office.

ISPC recommendations on process for developing a strong whole portfolio for the resubmission of the full proposals by 31 July 2016

32. Before turning to the ISPC Chair's presentation, the meeting returned to the earlier discussion of the work of the FEWG, and how that work relates to the work of the ISPC. The Interim Executive Director shared that he understood that the intended role of the group is to bring improved coordination between, and transparency around, the individual review activities previously carried out by each donor separate to the work of the ISPC.
33. The potential for overlap between the work of FEWG and that of ISPC was noted. It was confirmed that the FEWG's review criteria would be shared broadly after discussion with the System Council to address early concerns that the work may duplicate that of the ISPC. Here, the ISPC Chair noted that whilst her information was incomplete having only briefly interacted with the group to date, from the perspective of the ISPC, the work of the FEWG was a welcome addition if it assisted the funders to coordinate in a manner that facilitated the delivery of one set of reviews from the broader development perspective. In noting that her understanding was that the FEWG-appointed reviewers were not seeking to look at the science quality even if they are looking at the same kind of criteria, the ISPC Chair suggested that it will be key for there to be a moderation across the reviews so that there is one set of feedback. That said, the ISPC noted a desire for more interaction on the process in particular. She added that it will be important for all parties to understand how the work of the FEWG would feed into the larger picture of the System Council's approval process before the current Paris meetings ended.
34. The Interim Chair confirmed his understanding from a recent meeting with the FEWG Chair, that the review criteria are not so new; are being worked on at the time of the Board meeting; and will be circulated to all. He noted that advice received from the

FEWG to date was that it would appoint three specialist donor reviewers for each CRP or platform to undertake an impact-focused review based on what it is that funders like to fund. This he said was mainly about window 1 and 2 funds, as window 3 and bilateral would continue.

35. The Interim Executive Director noted that a welcome aspect of the FEWG's work is that they intend to set what they describe as an aggressive agenda regarding the goal to reverse the exodus of funding from windows 1 and 2, and see it as part of their mandate to increase confidence for funders to move financing from bilateral sources into these funding windows. Nevertheless, it was noted that feedback from the funders is that not everything within the proposed 2017 – 2022 portfolio is seen as having the same priority. Thus, a desire exists to exert influence on where the emphasis should be placed, which in turn was a major impetus for formation of the working group.
36. The ISPC Chair then delivered a presentation on the CRP2 portfolio titled "ISPC comments on CGIAR portfolio" based on the ISPC Portfolio Commentary circulated in advance of the meeting (meeting document [SMB1-06A](#)). The presentation offered a high-level summary of the full proposal review process to date, areas within the proposed portfolio where the ISPC had seen progress, but also difficulties that the ISPC had experienced during its review.
37. By reason of the specific issues arising from one of the proposals, Drylands Cereals and Legumes ('DCL'), the ISPC Chair noted that the ISPC had issued a 4 June 2016 commentary to that proposal, and others had received the commentary on 16 June, followed by a meeting with the science leaders on 16 – 17 June in Montpellier, after which there was a series of clarifications between a small number of the proposal writers at the offer of the ISPC. Recognizing that there was a specific question to discuss on the DCL proposal, the ISPC Chair turned first to general observations on the portfolio process, before returning to the DCL proposal in more detail.
38. On the process to date as a whole: The ISPC Chair specifically addressed the rationale of why ratings were not provided in the full proposal review process, noting that the ratings delivered for pre-proposals had been used to make funding cuts, and this was unintended from the perspective of the ISPC. Thus the presentation delivered by the ISPC noted the "advanced stage" of four CRPs that had started at a good place and had capitalized on that, highlighting that the earlier CRPs had all started at a different place and this was an important factor to keep in mind as the new portfolio proceeded through the approval process. The ISPC Chair summarized that the ISPC sees its role as identifying what is good and what is bad, but not giving direction on what is required to be done. Rather, it is up to the CRPs to decide what adjustments to make.
39. There was also caution expressed by the ISPC Chair on the use of the original 'allocation approach' by the Centers in the proposed portfolio, recognizing that the funders will determine what they believe is appropriate for window 1 and 2 funding. The Interim Chair agreed that the funders will allocate the funding to flagships as they

deem appropriate, but noted that until it was clear what that process was and decisions were taken, it was important in the re-submission phase of the full proposals to maintain the consistent approach of identifying proposed window 1 and 2 allocations, which are an estimate. Further, that there should be no cap on the overall proposal value, to give flexibility for the proposals to seek additional funding beyond the pooled funding that may be available.

40. On the proposed use of window 1 and 2 funds, the ISPC noted the complexity the ISPC found in determining what was included in management costs between the proposals, with considerable variability in both the elements included in that category, and amounts between proposals. This comment was made against the background of the ISPC intending to advise the System Council that many of the elements that the funders themselves say are important (gender, partnerships, delivery of the system level outcomes, and getting update and adding value) depend on getting a proportion of the management funding. From ISPC's perspective, a proportion of those management costs enable the CRPs to be CRPs, thus facilitating the delivery elements that the funders really want. That said, the ISPC has not found it possible to present a summary of that material that the CRP leaders themselves collectively support.
41. Noting very good progress on cross-Center working and with integration and coherence, the following more specific points were emphasized in terms of potential solutions to the difficulties that had been identified:
 - a. The ISPC requests that the Board take responsibility for a single budget that is not submitted on multiple occasions, and a requirement to adhere to particular formats. For the ISPC, the most significant problem encountered was the multiple versions of budgets received, with challenges also seen in the varying levels of CRP management costs and in comparing these due to different labelling; being a challenge that was identified as problematic during the June 2016 CRP Leaders meeting in Montpellier.
 - b. Given the large volume of documents already submitted, the ISPC's commentaries on the full proposals seek addenda to avoid Centers rewriting, and the ISPC re-reading, large sections of proposals.
 - c. The suggestion is also made to the Centers that in the re-submission of the full proposals, there is a clear indication, suggested as a histogram, for each flagship with W1/2 agreed budget, W3/bilateral secured, W3/bilateral unsecured, and that the Board oversee the development of a portfolio commentary that summarizes budget requests overall.
42. Following discussion among Board members on the issues raised, a number of potential future actions were identified:
 - a. Generally, the value of reflecting on the wider process was raised, noting the difficulties presented by attempts to synchronize submission of all proposals, and the challenges presented in achieving consistency in definitions when some flagships are led by people external to CGIAR. It would be helpful to

- reflect for any future process whether anyone needs the volume of words that was ultimately submitted, or whether there was a means of introducing increased efficiency.
- b. The value of the heat maps in providing a sense of whether the proposed investment lines up with the targets was highlighted. It was noted that this would be an incremental process incorporating outputs following the resubmission of the full proposals on 31 July.
 - c. **Action Point SMB/M1/AP3:** It was suggested that the previous work on 'heat maps' be updated by the System Management Office, ensuring that consistent numbers are being used in the different maps.
 - d. **Action Point SMB/M1/AP4:** It was proposed that the System Management Office perform a check once the revised full proposals are received, ensuring that the Centers' earlier agreement on funding allocations is honored, noting that it is the donors' decision on whether the allocation for window 1 or 2 should be changed.
 - e. **Action Point SMB/M1/AP5:** It was proposed that the System Management Office work with a group of CRP Leaders on establishing clear definitions of management costs.
 - f. **Action Point SMB/M1/AP6:** The potential to combine the work on the Centers' portfolio commentary document (meeting document [SMB1-06](#)) and the draft Case for Investing in the CRP2 Portfolio document prepared by the Consortium Office, to produce one document in collaboration with communications colleagues from Centers and the System Management Office.
43. **On the DCL proposal:** The final point raised by the ISPC during its presentation on day 1 of the Board meeting was that it would make a formal request during SC1 for the System Council to allow more time to the DCL proposal, given the significant challenges that the ISPC had identified at an early time in the full-proposal review process.
44. By way of summary of the 6 June 2016 memorandum that the ISPC provided to those preparing the DCL proposal after the ISPC's initial review, the ISPC expressed strong reservations about the coherence of the proposal. Accordingly, the ISPC had requested a strategy from the DCL proposal authors on how to address the key issues arising. Having reviewed the strategy that was submitted in the week prior to the Board meeting, the ISPC remained of the view that a major effort would be required to turn the proposal into something that could be considered as meeting the standards required to be incorporated in the CGIAR Portfolio moving forward. It was noted that in addition to internal coherence, prioritization of effort, and other issues, the drafters of the DCL proposal had grown the budget request well beyond the amounts that the Centers themselves had set as ceilings for the proposed new CGIAR Portfolio in a Rome 2015 meeting.
45. The Board returned to the DCL proposal question on day two of its meeting (13 July 2016), after receipt of clear guidance from the System Council during its meeting the day prior (12 July 2016).

46. The Interim Chair shared the following key elements of the System Council's unanimous deliberations as follows:
- a. Noting the ISPC's advice that the major challenge with the DCL proposal was not per-se with the science quality of particular flagships, but with the way that the proposal purports to come together as a "CRP". Overall there was a general sense of frustration that significant challenges that had been seen by the ISPC and funders in the phase 1 Drylands proposal and then during implementation as a CRP, appeared to have significant potential to come back again in phase 2, in circumstances where the new System Council and its members have no appetite for those challenges, notwithstanding the critical areas of science concerned;
 - b. Wishing to ensure that there was equality and fairness for all, the System Council determined it was not appropriate to provide extra time to those developing the program, and that the Centers should present their strongest proposal by the 31 July 2016 deadline, for the proposal to be assessed with all other CRP and platform submissions;
 - c. In making that determination, the System Council recognized that the ISPC had already gone beyond the necessary and provided early guidance to the CRP on the key challenges faced;
 - d. A key factor in the System Council's deliberations was the highly valuable nature of window 1 and 2 funding, and that such funding should in some sense be the hardest to get because it is the most valuable. For the moment, and without wishing to pre-judge the outcome of the further review and assessment processes, it did not seem that DCL would be able to present a compelling case for the use of those funds by 31 July;
 - e. After 31 July, the ISPC and the reviewers appointed through the FEWG, would each review the proposal and provide input into the subsequent September 2016 System Council deliberations;
 - f. It is for the Board to consider whether to submit the CRPs for review and, if so, after they have seen the ISPC and FEWG reviewer comments, whether they wish to put the whole CRP forward as part of the portfolio, or part only, or not at all; and
 - g. If the full CRP comes through to the System Council at any of the next steps in the decision making process, and the CRP is not judged to be at the high standard required of a CRP, then the System Council has no reservation in declining funding as a CRP, and wishes to convey that it is ready to take the necessary decisions to ensure that window 1 and 2 funding goes to those CRPs adjudged as being of the necessary quality, noting that this would not preclude

a new submission, via the System Management Board, of a comprehensive CRP at another time.

47. Returning to the initial discussions on conflicts of interest matters, the Board discussed the actual and perceived conflicts of interest that arise for such topics. Recognizing that the Board is comprised of a majority of persons who hold roles in Centers or on Center Boards, it was agreed that a pragmatic, yet nevertheless robust, conflicts of interest procedure is essential to ensuring effective governance within the CGIAR System as a whole.
48. After an extensive discussion among those in attendance, including two Funder representatives nominated by the System Council as Active Observers for the Board, and reiterating that the Board members have an obligation to serve the CGIAR System as a whole and not their respective host Centers, it was agreed that:
 - a. If the Director General or member of a Board of Trustees of a Lead Center also served as a member of the Board and the topic before the Board was that proposal, it would be impossible for the person to remain in the Board meeting room during deliberations, as there appeared no reasonable means of mitigating the arising conflict of interest.
 - b. A more pragmatic approach is required for situations where those participating in deliberations are not the Lead Center. This is because there may be highly nuanced positions, such as Center Directors General handling overall management and operational decision making on proposals to Deputy Directors Research and other management officials. Whilst there remains an ongoing underlying conflicts of interest issue to be aware of in such circumstances because Centers all receive Window 1 and 2 funds, the risks presented are different to that of a Lead Center, and may be mitigated through appropriate disclosures.
49. Before moving forward to a resolution on this point, disclosures were made by Board members as follows:
 - a. Ann Tutwiler and Jimmy Smith, in their respective capacity as Center Directors General, disclosed that they have delegated full operational decision making on the DCL proposal, in which their respective Centers are participating Centers; and
 - b. Martin Kropff and Shenggen Fan, also as Directors General of Centers, accepted the underlying inherent conflict of interest arising from their own Center's access to window 1 and 2 funds, but that they did not feel that they were constrained from participating in deliberations or decisions as their Centers were not participating Centers.
50. **Action Point: SMB/M1/AP7:** Taking note of the System Council's very clear guidance, and the Board's own deliberations during the session, the Board agreed to:

- a. Ensure an immediate in-confidence communication of the System Council's message to the Director General of the Lead Center;
 - b. Request the System Management Office to provide whatever assistance was found helpful by those developing the DCL proposal, to facilitate a significant rework of the proposal by the Lead Center by 31 July 2016 to bring it up to the standard required for submission for review by the ISPC and System Council;
 - c. Request the System Management Office to review the changes made to the proposal, and provide the Board with a confidential assessment of whether the revised 31 July 2016 proposal has an improved prospect of receiving a satisfactory review by the ISPC and the reviewers appointed by the FEWG;
 - d. Meet in a closed, virtual ad-hoc session of the Board on 1 August 2016 to deliberate on whether the re-submitted proposal met a sufficient standard to be provided to the ISPC and FEWG for further review. Only Board members would be invited to attend and resource persons of the System Management Office as required by the Interim Executive Director; and
 - e. Only present the revised 31 July 2016 DCL proposal if the Board determined that the proposal has an improved prospect of receiving a satisfactory review, recognizing that the prospects were challenging based on discussions that had taken place.
51. The Board further agreed that if its decision on 1 August was not to submit the DCL proposal as part of the revised proposed CGIAR Portfolio for further review, it would have to consider how to characterize the approximately 90% of work in the proposed CRP that is identified as being funded through bilateral sources, in terms of how it fits into the CGIAR Portfolio (e.g. as an "envelope" of related activity, or not to recognize its coherence at all). This would be for discussion at a later time.

Agenda Item 4 – Closed Session: Selecting the Executive Director

52. The voting members of the Board met in closed session to discuss the Board's next steps in the appointment of an Executive Director. The Board's deliberations, and its underlying meeting paper (document SMB1-07), remain confidential to the Board's voting members pursuant to the provisions of the Charter and the Board's Rules of Procedure.

Agenda Item 5 – Delivering on the Board's role of effective governance and oversight

53. **Decision SMB/M1/DP9:** Drawing on the collective inputs tabled in advance of the meeting (Background Notes to the role of the board, meeting document [SMB1-08A](#), and the former Consortium Board's handover materials, [SMB1-08B](#)), and the Board's preliminary discussions on the use of working groups to explore key issues, the Board decided to form the working groups as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#).

54. Regarding the mandate of the working group on Funding System Actions and Entities, it was proposed that the group review the process of alignment of bilateral projects to CRPs or Platforms, and guidelines on cost-sharing percentage ('CSP') considerations, taking note of discussions held by the CSE leaders at their June 2016 meeting in Munich on key topics. These discussions included enforcement of the agreements in place on the cost sharing percentage, and implementation of International Financial Reporting Standards ('IFRS').
55. **Action Point: SMB/M1/AP8:** It was agreed that the role and membership of each working group would be further elaborated and circulated as soon as possible after the meeting, including information on proposed working group Chairs, or seeking nominations where there were gaps.
56. The Board also discussed Center representation at System Council Meetings, agreeing that the working group on Rules of Governance should be asked to make a proposal on this. Noting that it would normally be a responsibility of the General Assembly to nominate these representatives, it was recognized that ahead of the establishment of the General Assembly, a pragmatic decision will be necessary for attendance at the System Council's second meeting planned for September 2016.
57. **Decision SMB/M1/DP10:** The Board agreed to the participation of two members of the Board at the System Council's second meeting, as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#).
58. Noting that the two System Council Active Observers had joined the meeting on day two, they took the opportunity to confirm that whilst they both supported the principle of continuity of service (and therefore a preference of annual cycles of participation), they were not presently in a position to confirm that they would both be able to serve for a full year.
59. **Action Point SMB/M1/AP9:** The System Management Office was asked to prepare a draft Board work plan for consideration at the Board's proposed second meeting in September 2016, taking into account relative priorities, and strategically balancing the work and decisions to be taken across the year. The work plan should, where possible, include proposed Board meeting dates.
60. Concerning the relationship between the Board and the General Assembly, it was noted that the Charter confirms that it is the role of the General Assembly to elect a Chair of the General Assembly. The Board recognized that it would be ideal if that could be undertaken during the first meeting of the General Assembly, once constituted. In the interim, the Board was supportive of the current Center Board Chairs' representative, Bruce Coulman, taking up the role of Acting Chair of the General Assembly, including the responsibility for preparing the agenda for their first meeting, as supported by the System Management Office.

61. With regard to the Board's relationship with the System Council, it was suggested that including time on the Board's agenda for reports from System Council meetings could be beneficial. The role of the System Management Office in supporting both governing bodies was noted as an arrangement that was expected to facilitate better linkages between the work of each.
62. **Action Point SMB/M1/AP10:** The Board reflected on the opportunity for improvement in transparency of communications including revised and updated mail groups within Centers and among the Board. The System Management Office will prepare proposed lists for the Interim Board Chair's clearance and communication.
63. The importance and broad scope of topic 10 in document 8A, 'Addressing Center Performance' was recognized, including such items as a code of ethics and having oversight of adherence to policies across the System. The role of the Audit and Risk Committee in this area, as well as in performance evaluation, was also raised.

Agenda Item 6 – Funding System actions and entities moving forward

Carry-over Funding (meeting document [SMB1-09](#))

64. The Interim Chair introduced the key themes raised in document SMB01-09 'Phase 1 CRP Portfolio Unused Funding at 31 December 2016' in order to seek Board member input ahead of discussions during SC1.
65. It was clarified that the issue is a cash-flow issue, not a revenue one, attributable to the 1 January start date of the grant year, when Funders typically make contributions for each year much later in the calendar. It was highlighted that, typically, a carry-over mechanism is used to finance the same programs, whereas the new CRPs represent the start of a new round of programs, even though there are many elements continuing into the proposed new CGIAR Portfolio. Speaking to the proposed decision in the paper, it was agreed that it is only in cases where there is not clear continuity of work that the delegation of authority to the System Organization is being requested to allocate the unused funds in the most appropriate manner.
66. The need for careful communication of the matter with CGIAR's Funders was emphasized, particularly the need to highlight that, absent agreement from the System Council to permit the use of funds carried over, some Centers do not have adequate reserves to pre-finance the beginning of CRP2 work without disbursement of 2017 funds as soon as possible.
67. The Board further discussed and sought clarity on the question of whether the amount carried over would be in addition to 2017 funding or part of the overall budget ceiling.
68. **Decision SMB/M1/DP5:** The Board agreed to recommend for System Council approval, a carry-over mechanism for 2017, as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#). Specifically, there was broad agreement that in making the proposal to the System Council, there should be

no mention of budget ceilings to remain consistent with earlier discussions of the Centers. Further, that the Board should present a proposal without multiple options on the table, to ensure clarity of message.

Proposed approach to funding system actions and entities moving forward
(meeting document [SMB1-10](#))

69. The Interim Chair proposed that the starting point for the newly formed working group on funding system actions and costs (refer decision SMB/M1/DP9) could be to ask what are the functions minimally necessary to facilitate the CGIAR System.
70. The Interim Executive Director, as the nominated chair of the working group, confirmed that in addition to nominations from the Board itself, the System Council would also be asked to also propose one or two persons to support the group's important work. For all potential working group members, the Interim Executive Director noted that it would be helpful for the nominees to represent people who can bring good knowledge of the System and finance into the work of the group.
71. In discussions that followed, Board members highlighted a number of aspects for consideration by the group as they undertake that work as follows:
 - a. The critical importance of the group taking up the responsibility of clearly defining the entities, particularly their size and scope, as this impacts the group's ability to know how to finance those entities given the variables at play;
 - b. The importance of having more clarity around expectations on the functions of the System Management Office, noting the opportunities already identified during the Board's meeting to support work on behalf of the System as a whole, including supporting the System Council and General Assembly;
 - c. Whether there are alternative options for the cost-sharing percentage that currently operates across the System, including how this might change as funding levels rise; or whether a membership fee or other basis should apply for the common, essential costs of the System; and
 - d. A discussion on the definition of legacy projects, and whether this requires adjustment or clarification.

Background on the System Council's advisory bodies – the IEA and ISPC

72. The Head of CGIAR's Independent Evaluation Arrangement ('IEA') delivered a presentation on evaluation in the reformed CGIAR, outlining IEA's key objectives and position in the CGIAR structure as it stands following the transition, drawing the Board's attention to the following key points:
 - a. IEA's strategic objective, "*Ensuring that the evaluation function is a key and effective instrument of accountability and learning, fully contributing to the vision of the future CGIAR*" will be revisited as part of the process of considering the future vision of CGIAR;

- b. In summarizing the evaluations completed and in progress, key achievements in enhancing evaluation and increasing the emphasis on learning were highlighted;
 - c. Noting concerns raised on the prospect of reassessments occurring at the same time in the future, it was agreed that conducting a number of evaluations simultaneously should be avoided and that establishing a staggered plan would be desirable; and
 - d. In response to concerns raised over transaction costs arising from multiple evaluations, it was confirmed that work had been done to look at all of the advisory, oversight and governance bodies associated with CRPs, and that it could be beneficial to revisit this when developing a new framework for evaluations, with the view to optimizing costs across the System. The need for an appropriate period of time to digest and implement recommendations of evaluations as part of the planning process was also raised.
73. The ISPC Executive Director delivered a presentation summarizing the role of the ISPC and the work planned for the forthcoming year including budgetary considerations.
74. The following key points were highlighted in the presentation and the discussions that followed:
- a. The ISPC's four major program areas:
 - i. Strategy and Trends (Foresight studies, guidance on prioritization)
 - ii. Independent Program Review (CRP reviews, portfolio analysis)
 - iii. Mobilizing Science and Partnerships (Science Forum, guidance on strategic partnering)
 - iv. Impact Assessment (Ex-post assessments; methodology and guidance)
 - b. The opportunity exists to make gains at the system level coordinating work on key scientific issues including Theories of Change; monitoring, evaluation and learning; foresight, and science quality, following the commencement of the CRP2 programs in 2017.
 - c. In response to a question on the value of potential synergies with FAO, the example of getting CGIAR results incorporated into FAO technical programs, such as the development of a program on rural poverty with leaders using outputs from the Science Forum, was highlighted. The possibility of better evaluating the value to the system of major events such as the Science Forum and GCARD events was also raised.
 - d. Hosting arrangements at FAO were also raised, including whether there was potential to better capitalize on the synergies that were intended to flow from the history of the co-location of ISPC (and its predecessor), and now IEA, with FAO. It was noted that the CGIAR System Organization would need to enter into an appropriate agreement for the hosting arrangements moving forward,

but that this was not a matter that was tied to the 2017 – 2022 portfolio assessment process and would be dealt with separately.

- e. There is an important need for clarity on the role of ISPC in relation to the System Council, Centers and CRPs, as well as the Board, given the many facets to the ISPC's work. It was noted that as part of the earlier ISPC Task Force, a document was prepared confirming that the primary group served by the ISPC is the System Council. However, it also noted that ISPC serves as a bridge between the funders and the CRPs and Centers. Based on discussions, it was clear that the planned revision of the ISPC Terms of Reference by the System Council, and a revised multi-year work plan, will be critical to delivering the necessary clarity.
 - f. The opportunity for optimizing the flow and use of results of ISPC's work via the System Management Office in the new system was identified.
75. The CRP representative emphasized that as a basis for improved coordination where it is needed, that ISPC and IEA propose, for System Council approval, a 'strategy' or 'priority areas of investigation' in a work plan for 2017 – 2022, because this will help both the communities of practice that are among the CRPs (including the 'MELCop', or Monitoring, Evaluation and Learning, among others), and importantly for a CRP such as PIM (which is aiming to provide greater practical support in the areas of foresight, value chain, ex-post impact assessment methodologies), so that the System as a whole avoids unknowingly duplicating the work of the CRPs. Increased coordination would bring the additional benefit of achieving greater budgetary efficiency.
76. As a specific example of the need for greater coordination, the CRP representative highlighted the critical need to pay attention to the monitoring and evaluation and learning framework that puts together the different pieces of the puzzle, so that there is better coordination and integration in regard to where you want to evaluate CRPs on an annual basis, and how you can monitor outcomes over time to identify impact.

Agenda Item 7 – Formalizing the transition arrangements

77. The Board turned to the three more formulaic decisions that were before the Board, two for approval by the Board, and a third that was for the System Council to approve and thus provided to the Board for information.
78. **Decision SMB/M1/DP6:** The Board approved the decision for the System Management Office to assume the functions of the Fund Office, as set out in the decision text at [Annex 1: Record of Decisions 1st System Management Board meeting](#). It was noted that this is a related decision to one taken earlier by the former Fund Council, and a decision to be taken by the System Council at SC1.

79. When considering the decision text for adopting existing policies, the Interim Chair drew the Board's attention to the question of appropriate financial support for Board members, taking into account previous honorarium and travel arrangements for Consortium Board members and committee members.
80. Discussions on remuneration turned to the question of whether there was sufficient existing 2016 budget to meet the proposed honorarium arrangements for eligible Board members, with the Interim Chair noting that the mid-2016 financial position for the CGIAR System Organization was not completely positive.
81. Here, taking note of the detailed explanation in the Consortium's handover materials (refer meeting document SMB1-8B), a Board member emphasized that a clearly important contributing element to the CGIAR Consortium having handed over a budget under pressure, was the indecision on the final arrangements for the Internal Audit Function in the new System and how that will operate. He therefore emphasized the importance of addressing that issue at an early time. Failing that, the Board would be, as the Consortium Board had been in the past, responsible for finding the relevant sum or sums of money that would be required to fill budget shortfalls, in the circumstances of the unexpected cancellation of contracted audit-engagements by one or more of the Centers that use the existing CGIAR Internal Audit Unit as the Center's own internal audit provider.
82. In this context, the Board was advised that the US\$ 700,000 deficit reported by the Consortium Board in respect of the CGIAR Internal Audit Unit in 2015 was due to two factors: (i) a number of Centers walked away from that arrangement, leaving the Consortium Board to fill that gap through other funding sources; and (ii) the Consortium was required to assume the operating deficit from the existing CGIAR Internal Audit Unit arrangement when the unit was located at a Center.
83. When asked whether the System Management Office could confirm that there was no longer any risk of such a deficit in 2016, the Interim Executive Director confirmed that the System Management Office does not set the budget or work plan for the existing CGIAR Internal Audit Unit. Rather, that budget is approved based on a bottom-up model that, amongst other revenue sources, takes into account the service-level agreements negotiated with the Centers who use the CGIAR Internal Audit Unit as their internal audit arrangement.
84. The System Management Office's Director of Finance and Corporate Services confirmed that the existing CGIAR Internal Audit Unit is adjusting to the new reality. However, he added that the unit has asked that whatever the remaining signed service level agreements are in 2016, they be honored by Centers, to prevent a further budget deficit resulting for the CGIAR System Organization for 2016. The Board was reminded by one of its members that the System Management Board had inherited responsibility for the issue by reason that the transition resulted in a name change of the organization, and not a change in legal entity.

85. **Action Point SMB/M1/AP11:** The Board agreed it was important that the Centers be asked by the Board as colleagues to maintain the current signed service level agreements as they stand for 2016 to ensure that there are no unexpected budget issues until the Board has taken a decision on the revised audit arrangements from January 2017, recognizing that there are significant issues to discuss in defining an appropriate model moving forward.
86. **Decision SMB/M1/DP7:** The Board approved the decision point for the CGIAR System Organization to adopt, unless and until they are changed, all the current policies, procedures and guidelines previously approved by the Consortium Board, as set out in the [Annex 1: Record of Decisions 1st System Management Board meeting](#). In adopting that decision, the Board agreed to honorarium and travel arrangements for eligible Board members, as set out in the same decision text.
87. The Board noted the information provided in meeting document [SMB1-14](#) 'Endorsement of 2016 Work plans and budgets' as presented to and approved by the System Council at SC1.

Agenda Item 8 – Conference call with Center Board Chairs and Directors General

88. Within the meeting agenda, the Board hosted an informal call with the Centers, a summary record of which is set out at Annex 2.

Agenda Item 9 – Linking Mechanism with General Assembly of the Centers

89. At the request of the Interim Chair, the temporary Vice Chair led discussions on this item and requested the Interim Executive Director and the Senior Advisor, Governance, to elaborate further on the meeting paper (meeting document [SMB1-17](#)).
90. The Interim Executive Director confirmed that the paper was intended to inform a brainstorming session for Board members on the form and function of the General Assembly and its linkages to the System Management Board, given the importance of that relationship to the effective functioning of the CGIAR System.
91. The Senior Advisor, Governance, framed some questions and considerations for the Board to inform the discussions that followed, including:
- a. Returning to the Chair's earlier comment on the need for trust to flow upwards in the System and establishing a mechanism that inspires that confidence;
 - b. Advising that there may be an advantage to deprioritizing an expansion of the role of the General Assembly until the engagement model in its initial functions as defined in the Charter is established, noting that the language in the Charter is permissive about the scope of the role of the General Assembly, rather than being exhaustive;

- c. Highlighting that the opportunity exists to invite people external to the Centers to attend and participate in General Assembly discussions if considered appropriate by the General Assembly;
 - d. The need to consider whether the General Assembly should include Directors General, Board Chairs or both groups. Several Board members agreed that the involvement of both groups in the transition process had been beneficial, with a proposal made to have one of each group as chair and co-chair;
 - e. The responsibility on the General Assembly to elect Center representatives to the System Council, and that there may be an advantage to one of these representatives not also being on the Board to reinforce trust in the system;
 - f. The need to consider whether committees for the General Assembly should also be set up, and the merits and potential risks in such an approach; and
 - g. Advising that the initial timetable in document 17 is not feasible, but that the System Management Office would be happy to propose a revised timetable following the conclusion of the Board discussions and based on those inputs.
92. Board members shared a range of observations, demonstrating that there are many different ways to frame the role of the General Assembly. There were different views on whether the General Assembly should be encouraged to select two Board members to serve as Active Observers on the System Council, or whether it would be better to have a blended approach. People were also not fully supportive of having a second set of committees reporting to the General Assembly, but recognized the need for a robust engagement model to ensure trust between the Centers in the form of the General Assembly and the Board.
93. **Action Point SMB/M1/AP12:** The temporary Vice Chair proposed that the System Management Office draft a proposal incorporating the numerous inputs received and a realistic timetable for review by the Board for recommendation to the Centers. It was noted that even if the timetable does not permit the organization of an official General Assembly to coincide with the proposed September meetings, that there could be benefit in a meeting of those Center colleagues present or via teleconference to ensure that Center feedback on items for Board consideration can be received at that time.

Agenda Item 10 – Closing Remarks

94. The Interim Chair invited those present to raise any additional issues. The need to continue open and honest discussions within the Board and between the Board and the System Council was emphasized, including seeking input on its pragmatic functioning. The Board agreed that openness is encouraged by non-attribution of inputs in meetings, and the Board's agreement to stand behind decisions that are made when outside of the meeting.
95. Board members and other participants offered reflections on the meeting, noting the significant ground covered while recognizing the work left to do. It was recognized that the new relationships will require cultivation to ensure that these can continue

to be productive and open without stepping past the boundaries of what is appropriate or possible for the various parties. Appreciation was expressed for the work of the Interim Executive Director and the System Management Office for the preparation of the meeting, and to the Interim Chair for his leadership and work to reach the occasion of the first meeting after so much focus on the transition itself.

96. In closing the meeting, the Interim Chair offered thanks to Board members and all those present for their collaboration and support and closed the meeting.

Annex 1: Record of Decisions 1st System Management Board meeting

SMB/M1/DP1: Agenda

The System Management Board approves the agenda for the 1st System Management Board meeting (document SMB1-01, Revision 1).

SMB/M1/DP2: System Management Board Members and Interim Chair

The System Management Board:

1. Notes the appointment by the Centers of the following nine voting members of the Board as identified in document number SMB01-03 (System Management Board members and Interim Chair):
 - (i) Independent members for a one-year term commencing on 1 July 2016, renewable for up to two years:
 - a. Catherine Bertini; and
 - b. Eugene Terry
 - (ii) Center Board members or Directors General for a one-year term commencing on 1 July 2016, noting such persons serve in their personal capacity and not as a representative of any Center:
 - a. Shenggen Fan (Director General)
 - b. Martin Kropff (Director General)
 - c. Bushra Naz-Malik (Center Board of Trustees member)
 - d. Gordon MacNeil (Center Board of Trustees member)
 - e. Jimmy Smith (Director General)
 - f. Margret Thalwitz (Center Board of Trustees Chair)
 - g. Ann Tutwiler (Director General)
2. Notes the appointment by the CGIAR Fund Council of Nicholas Austin as Interim Executive Director of the CGIAR System Organization, who serves by nature of that appointment as an ex-officio non-voting member of the Board.
3. Approves the Terms of Reference for the Interim Chair of the Board as set out in appendix 1 of document SMB1-03.
4. Appoints Martin Kropff as Interim Chair of the Board effective immediately and until a successor is appointed.

SMB/M1/DP3: Interim System Management Board Rules of Procedure

The System Management Board:

1. Approves with immediate effect the rules of procedure for the System Management Board as set out in Appendix 1 to document SMB1-04 as interim rules of procedure until such time as amended ('Interim Rules of Procedure').
2. Requests the System Management Office to collate preliminary comments received on the Interim Rules of Procedure during the meeting, and provide those to working group to be formed to consider strengthening the System Management Board's rules of governance.

SMB/M1/DP4: Representative to the Fund Effectiveness Working Group

The System Management Board nominates the Interim Executive Director as the System Management Board's representative on the System Council's Fund Effectiveness Working Group, and requests the Interim Executive Director to ensure the views of the System Management Board are introduced into ongoing deliberations and that feedback is received by the System Management Board as the work proceeds.

SMB/M1/DP5: Phase 1 CRP Portfolio 2016 Unused Funding

The System Management Board endorses for recommendation to the CGIAR System Council for approval, the proposal (as set out in document SMB1-09, Revision 1) that the System Council:

1. Agrees that Centers be allowed to carry any funding that was provided for the phase 1 CGIAR Research Programs ('CRPs'), but that is unspent and uncommitted at 31 December 2016 ('Unused Funding') forward into 2017.
2. Agrees that that Unused Funding be transferred to, and utilized by, the most appropriate phase 2 CRP and agrees that in the situation where a phase 1 CRP is ending, integrating or divided and re-integrated into different phase 2 CRPs, authority is delegated by the System Council to the CGIAR System Organization ('System Organization') to manage the reallocation of the Unused Funding to the phase 2 CRP portfolio.
3. Agrees that in order to ensure that Unused Funding is managed effectively and efficiently towards the end of the phase 1 CRP, authority is delegated by the System Council to the System Organization to develop guidelines that specify the parameters under which Centers will be able to commit W1-2 funding until 31 December 2016.

SMB/M1/DP6: Adopting decisions for the System Management Office to assume functions of the Fund Office

The System Management Board, recognizing the agreement of the CGIAR System Centers and Funders to establish a new governance structure as described in the CGIAR System Framework and the Charter of the CGIAR System Organization, and having reviewed the paper, '*Revised proposed approach to existing CGIAR agreements for current CRPs and 2016 system costs*' (circulated to all Centers on 1 June 2016, as a document for the Third Meeting of Centers and Funders on the CGIAR System):

A. Approves the following decisions to implement the transitional arrangement:

1. Agrees that the System Management Office assume the functions of the Fund Office under the Joint Agreement ('Joint Agreement') between the Consortium of International Agricultural Research Centers ('Consortium') and the Fund Council, represented by the International Bank for Reconstruction and Development ('IBRD'); provided that the Joint Agreement will be terminated upon the closing of the CGIAR Fund;
2. Agrees that the System Management Office assume the functions of the Fund Office under the Consortium Performance Agreements ('CPAs') between the Consortium and the Fund Council, represented by IBRD; provided that the CPAs will be terminated upon the completion of the relevant CRP;
3. Agrees that the System Management Office assume the functions of the Fund Office under (i) the Fund Use Agreement ('FAO Fund Use Agreement') among FAO for itself, ISPC, IEA and GFAR, the Fund Council, represented by IBRD, and the Trustee, and (ii) the Fund Use Agreement ('Consortium Fund Use Agreement') among the Consortium, the Fund Council, represented by IBRD, and the Trustee (FAO Fund Use Agreement, and together with Consortium Fund Use Agreement, referred to as the 'Fund Use Agreements'); provided that the Fund Use Agreements will be terminated upon the closing of the CGIAR Fund.
4. Agrees to the modifications to Annex 2 to the Contribution Agreements to provide for the transitional arrangements, as described in paragraph B.8 below; and
5. Agrees that the decisions in paragraphs 1 - 4 above shall only become effective upon the adoption of decisions by the Fund Council and System Council to agree to the following:
 - 5.1 the Fund Council shall adopt decisions in July 2016, to agree to the following:
 - 5.1.1 to have the functions of the Fund Council and the Fund Office under the Joint Agreement, CPAs and Fund Use Agreements transferred to the System Council and the System Management Office, respectively; provided that the Joint Agreement, CPAs and

Fund Use Agreements will be terminated as indicated in paragraphs 1 - 3 above; and

5.1.2 to the modifications to Annex 2 to the Contribution Agreements to provide for the transitional arrangements, as described in paragraph B.8 below; and

5.2 The System Council shall adopt decisions, at its first meeting in July 2016, to agree to the following:

5.2.1 the System Council will assume the functions of the Fund Council as transferred to it under the Joint Agreement, CPAs and Fund Use Agreements; provided that the Joint Agreement, CPAs and Fund Use Agreements will be terminated as indicated in paragraphs 1 – 3 above; and

5.2.2 the System Council will assume the functions of the Fund Council as transferred to it under the Contribution Agreements as indicated in paragraph B.8 below.

B. Notes the following with respect to the transition:

6. That with respect to the FAO Fund Use Agreement, the System Council intends to propose to the FAO and the Trustee to add the following paragraphs as new Section E to the FAO Fund Use Agreement, to become effective, notwithstanding Section D.8 of the FAO Fund Use Agreement, upon (i) signatures of written agreement by FAO and the Trustee, and (ii) effectiveness of the System Council's decision in paragraph A.3 above:

"E. Transitional Arrangement

E.1 Should there be any situation which requires actions of the Fund Council and/or the Fund Office under this Agreement upon the dissolution of the Fund Council and the Fund Office, the System Council and the System Management Office (each, as defined in the CGIAR System Framework) will act in place of the Fund Council and Fund Office, respectively, and all references in this Agreement to (i) Fund Council will be construed as meaning System Council and (ii) Fund Office will be construed as meaning System Management Office.

E.2 Notwithstanding Section C.5 of this Agreement, this Agreement shall be terminated upon closure of the CGIAR Fund and the course of action specified under Section C.5 following any termination event shall apply accordingly."

7. That with respect to the Consortium Fund Use Agreement, the Fund Council intends to propose to the Consortium (now known as the System Organization as

of 1 July 2016) and the Trustee, to add the following paragraphs as new Section 22 to the Consortium Fund Use Agreement, to become effective, notwithstanding Section 18 of the Consortium Fund Use Agreement, upon (i) signatures of written agreement by the Consortium (or the CGIAR System Organization that will operate with effect from 1 July 2016 based on the legal personality of the CGIAR Consortium) and the Trustee and (ii) effectiveness of the Fund Council's decision in paragraph A.3 above:

- “22. (i) Should there be any situation which requires actions of the Fund Council and/or the Fund Office under this Agreement upon the dissolution of the Fund Council and the Fund Office, the System Council and the System Management Office (each, as defined in the CGIAR System Framework) will act in place of the Fund Council and Fund Office, respectively, and all references in this Agreement to (a) Fund Council will be construed as meaning System Council and (b) Fund Office will be construed as meaning System Management Office.
- (ii) Notwithstanding Section 17 of this Agreement, this Agreement shall be terminated upon closure of the CGIAR Fund and the course of action specified under Section 17 following any termination event shall apply accordingly.”

8. That pursuant to paragraph 8.2 of Section A of Annex 2 to the Contribution Agreements and Contribution Arrangements (collectively, 'Contribution Agreements') between the Fund Donors and the Trustee, the Fund Council, in its representative capacity for all Fund Donors, intends to add the following paragraphs as paragraph 10 of Section A of Annex 2 to the Contribution Agreements:

“10. Transitional Arrangement

10.1 Should there be any situation which requires actions of the Fund Council and/or the Fund Office under the Contribution Agreements and Arrangements upon the dissolution of the Fund Council and the Fund Office, the System Council and the System Management Office (each, as defined in the CGIAR System Framework) will act in place of the Fund Council and Fund Office, respectively, and all references in the Contribution Agreements and Arrangements to (i) Fund Council will be construed as meaning System Council and (ii) Fund Office will be construed as meaning System Management Office.

10.2 Notwithstanding paragraph 7.2 of Section A of this Annex, any withdrawal by the Fund Donor of all or part of its Fund Donor Share following the establishment of a new trust fund by the Trustee to replace the CGIAR Fund may be made with the prior written notice of less than 180 days if such shorter period is agreed with the Trustee.”

SMB/M1/DP7 Policies

1. Subject to paragraph 2 below, the System Management Board endorses until such time as amended or revoked as relevant to the subject matter, all of the current policies, procedures, guidelines and other requirements previously approved by the Consortium Board with the following modifications:
 - a. all relevant appearances of the CGIAR Consortium and its derivatives are changed to CGIAR System Organization;
 - b. all relevant appearances of Consortium Office are changed to System Management Office;
 - c. all relevant appearances of Consortium Chief Executive Officer or Consortium CEO are changed to Executive Director of the CGIAR System Organization;
 - d. all relevant appearances of CGIAR Consortium Board are changed to System Management Board;
 - e. all relevant appearances of Fund Council are changed to System Council; and
 - f. all relevant appearances of Fund Office are changed to System Management Office.
2. In respect of the following policies, the System Management Board approves the policies subject to the following being incorporated into the policies:
 - a. Honoraria arrangements:
 - i. System Management Board independent members and Center Board of Trustees members: entitled to receive the same annual honorarium as for the former external independent Consortium Board members, but with no additional allowance in respect of serving on a committee of the System Management Board; and
 - ii. Directors General: no entitlement to an honorarium, on the basis of receipt of a salary in the role of Director General of their Center.
 - b. Policy for Travel Expense Management: Reimbursement of System Management Board-related costs during travel are based on expenses incurred, and the typical standard of travel is economy class.

SMB/M1/DP8 Audit and Risk Committee

1. The System Management Board appoints the following persons as members of the System Management Board's Audit and Risk Committee to serve in their personal capacity, for a term that begins upon appointment and continues at the pleasure of the Board:

System Management Board members

- a. Bushra Naz-Malik, Chair
- b. Eugene Terry
- c. Gordon McNeil

Non-System Management Board members

- d. Bob Semple, Board member of CIMMYT

2. The System Management Board requests the Audit and Risk Committee Chair to propose, for approval at the next System Management Board meeting, a Terms of Reference for the Audit and Risk Committee, prepared in consultation with the Audit and Risk Committee and with the support of the System Management Office. As an early area of focus, the System Management Board requests that the Audit and Risk Committee develops for consideration at the next board meeting, a comprehensive proposal for a CGIAR System risk management framework and internal audit function to link with the System Council's Audit and Risk Committee.

SMB/M1/DP9 System Management Board working groups

1. The System Management Board agrees to form the following working groups, to support the System Management Board's deliberations on the matters arising for early consideration, drawing on information sources that include meeting documents SMB1-8A (Preliminary System Management Board discussion items), SMB1-8B (Consortium Board Handover Materials), SMB1-10 (Funding CGIAR System actions and entities moving forward), and SMB1-17 (Discussion Paper, Linking Mechanisms with the General Assembly of the Centers):
 - a. Working Group One: Resource Mobilization: To identify mechanisms for system-level resource mobilization and the strategic expansion of funding, including through innovative financing initiatives and mechanisms to stabilize the flow of funds, with a focus on both traditional and non-traditional funding sources, and building on the work of the former Senior Steering Group on funding.
 - b. Working Group Two: Rules of Governance: To strengthen the Rules of Procedure of the System Management Board and support the development of the Rules of Procedure for the General Assembly. Will include the following two sub-groups to feed into the Working Group's overall outputs:
 - i. Drawing on the ISPC, addressing conflicts of interest for System Management Board ("Board") members in regard to the discharge of the Board's role to recommend to the System Council the guidelines and criteria for prioritization and for annual allocation of Unrestricted Funding across CGIAR Research or other conflicts of interest as may arise; and

- ii. Drawing on the work of the nominations committee for the inaugural Board members, identifying options for the nominations processes to be utilized by the General Assembly of Centers for Board members and System Council representatives.
 - c. Working Group Three: Cost-sharing for Host Centers: To identify opportunities for shared corporate services and other means of improving financial efficiency where multiple Centers operate in a host country.
 - d. Working Group Four: Funding System Actions and Entities: To work with the Interim Executive Director on identifying the actions and entities to be supported through system-level investments, and a fair mechanism with the appropriate incentives for distributing responsibility for system costs.
2. The System Management Board requests the Interim Chair to confirm the final membership of each working group taking into account nominations received from System Management Board members, Active Observers, the Centers and such other persons as considered key to discussions within each group, and the desirability of working groups operating efficiently and with a manageable number of persons.

SMB/M1/DP10 Center ex-officio non-voting members for 2nd System Council meeting

1. The System Management Board notes:
- a. The role of the General Assembly of Centers to approve the Center representatives to serve as ex-officio non-voting members on the System Council pursuant to Article 5.6(f) of the Charter of the CGIAR System Organization.
 - b. The Center's appointment of the inaugural members of the System Management Board (as recorded in document SMB1-03, System Management Board members and Interim Chair) with effect from 1 July 2016.
2. The System Management Board appoints, as an interim measure pending formal commencement of operations of the General Assembly of the Centers, the following System Management Board members as the two Center ex-officio non-voting members to attend the 2nd System Council meeting in Mexico in September 2016 for and on behalf of the Centers:
- a. Ann Tutwiler
 - b. Bushra Naz-Malik

Annex 2: Summary of Teleconference with CGIAR Centers

Wednesday, 13 July 2016, 14:00 – 16:00 Paris, France

Welcome and introduction

The Interim System Management Board Chair ('Chair') welcomed Center colleagues joining the teleconference, and introduced the System Management Board ('the Board') members, Observers and support staff present in the room. During the call the Independent and Center Board members of the System Management Board introduced themselves more fully, recognizing that they may not be all previously well-known to all colleagues.

By way of introduction, the Chair briefly characterized the atmosphere and efforts of the previous days' meetings, including the optimistic and open attitudes of Funders, Board members and System Management Office staff alike. The energy among the Funders and optimism in the System's future direction was also noted. The Interim Executive Director echoed the sentiments of optimism, particularly from the respective Chairs of the System Council and System Management Board. Noting the high level of expectations from the new CGIAR System he reaffirmed the office's commitment to supporting the efforts that lie ahead.

Confirmation of appointments, TORs and Working Groups:

It was confirmed that the Board had formally decided to appoint Martin Kropff as Interim Chair of the System Management Board; recognizing that an independent Chair is preferable, but noting that the two independent members wish to consider the setup and workload during this post-transition phase. However, all members are committed to the process and it is not anticipated that the interim arrangement will be a long-term one.

It was also confirmed that the Terms of Reference for the Interim Board Chair was approved, with one area of focus being ensuring that the required procedures are set up and the CGIAR System Organization is functioning effectively.

The Chair also described the decisions on setting up the following:

Standing Committee as contemplated in the Charter of the CGIAR System Organization:

1. **Audit and Risk** - including work on defining CGIAR risk and opportunity management and the Internal Audit Function. The financial issues caused by withdrawal of Center audit commitments was highlighted and the Committee will look at how this can be avoided and how Centers can make better use of Internal Audit.

Working Groups

2. **Resource Mobilization** - strategic advancement of funding, including innovative financing initiatives, stabilizing funds and a focus on traditional and non-traditional resources

3. **Rules of Governance** – including Conflicts of Interest and Board member nominations components
4. **Cost-sharing for Host Centers** – to consider better mechanisms to host each other in cost effective ways
5. **Funding System Actions and Entities** – working with the Interim Executive Director to identify actions/entities to be supported through system level investment and devising a fair mechanism with appropriate incentives for distributing responsibility for system costs.

Report from SC1 Meeting

The Chair, with input from one of the System Council's representatives on the Board, gave a brief report on the previous day's inaugural System Council meeting, including the appointment of Juergen Voegelé as Chair of the System Council. A productive 'round-table' session took place, during which all those at the table gave input on where they would like to see the CGIAR system's attention focused. Several key thematic areas, or 'buckets' of issues were raised as follows:

- New challenges and new solutions; seeing the signs early enough and responding accordingly
- Bridging research to impact and the importance of partnerships
- National systems & capacity building
- Performance management and the case for funding
- Narratives including success stories, backed by rigorous evidence
- Risk/balance
- Prioritizing and aligning the shared agenda with the most critical research needs and unique CGIAR capacities

Funders recognized the positive energy of the new System; acknowledged the impact of CGIAR Research; and asked for more support in making the case for funding within their agencies, with the discussion also touching on the potential opportunity to engage a high-level champion of the CGIAR System.

Carry over of unspent funds 2016

The Chair reported back on the System Council's discussions on whether the System Council will allow Centers to carry-forward funding that was provided for the phase 1 CGIAR Research Programs, but that is unspent and uncommitted at 31 December 2016. A decision was taken to agree that unused funding can be transferred to, and utilized by, the most appropriate phase 2 CRP and that in the situation where a phase 1 CRP is ending, integrating or divided and re-integrated into different phase 2 CRPs, authority is delegated by the System Council to the CGIAR System Organization to manage the reallocation of the unused funding to the phase 2 CRP portfolio. The System Management Office, led by the Interim Executive Director, will ensure that this is communicated in open way with Centers and the Funders.

Executive Director appointment

The Chair provided an update on the progress of the Executive Director recruitment process, supported by Boyden Executive Search, advising that the Executive Director search committee's work had led to the interview during the first day of the Board meeting of one candidate, with the Board being in universal agreement in support of the candidate's appointment. Discussions are now underway with the candidate, with an announcement to be made as soon as this is finalized, and the Interim Executive Director stands ready to work with the new Executive Director during an agreed handover phase.

CRP2 Portfolio

On behalf of the CRP Leaders, Victor Kommerell (Program Manager, WHEAT CRP), delivered a presentation on the portfolio, highlighting the following key topics:

- Portfolio progress against key issues
- An update on Phase 2 CRPs portfolio and actions that CRP Leaders would like the Board to take as they prepare for the upcoming ISPC review, noting that at the June meeting in Montpellier, CRP Leaders had agreed next steps on key items including how agri-food system and commodity CRPs would collaborate, on site integration, and feedback on the Big Data platform
- Concerns on transition and funding arrangements, and on the CRP2 proposal review process
- An outline of CRP Leaders' position on issues with the CRP2 process, particularly around phase 2 funding modalities, CRP governance and management, and the role of the System Management Office, noting appreciation of assurances received in this regard.
- An update on site integration, presenting a more streamlined diagram explaining the process and its elements. It was emphasized that site integration cannot be everything at the same time, and the need for strong national partnerships backed by clear internally driven initiatives with appropriate skills and resources was highlighted.

By way of summary, the following topics were presented on behalf of the CRPs as urgent issues for attention:

1. ISPC and funders agree on comprehensive set of proposal assessment criteria
2. Alignment of CRP Annual Performance Reporting with external evaluations and impact monitoring over time. It was noted that the MELCoP taking this on, and it is hoped that there will be very close coordination with the System Management Office, the ISPC and the IEA, but this requires confirmation
3. ISPC to advise by who/how proposals will be reviewed?
4. What if the Fund Effectiveness Working Group and ISPC come to very different conclusions? Can CRPs respond? Why not have CRP management response after 12 September that is provided to the Funders?
5. Drop requirement for CRPs to formally respond to comments on IA/OA/OD sections.

In the discussion that followed, clarifications were provided particularly on the proposal review process and the role of the Fund Effectiveness Working Group; emphasizing that their review brings more coordination and transparency to the Funder reviews that were already taking place, with the criteria being openly shared. The benefits when looking at comparative advantage were also highlighted, with Funder reviewers being in better position to make this assessment as they regularly review the proposals of other research providers. The ability to look at aspects such as impact pathways through a different lens other than the science quality was viewed by many, including the Funders, as another beneficial aspect. The positive feedback so far on the CGIAR Portfolio from all reviewing parties was reaffirmed.

The Chair reported on two key portfolio issues that had been discussed at the System Council Meeting:

1. Big Data Platform

Colleagues were reminded that in the Centers' Rome meeting at which allocations of W1/2 funding were agreed, there had not been an amount allocated to the Big Data Platform, which is existing work financed bilaterally by the Bill and Melinda Gates Foundation ('BMGF'). It had been indicated that the BMGF had requested that the second tranche of that funding not automatically be allocated to the new platform, but that the proposal first be reviewed as part of the proposed CGIAR Portfolio before deciding whether to allocate the funds going forward.

2. Dryland Systems & Legumes (DCL)

The Chair reported on the discussion at the System Council Meeting on the DCL proposal, noting the efforts made by the ISPC to provide very clear feedback and comments. He reported that there was universal agreement among the Funders that efforts to revise the proposal had not yet resulted in a program that demonstrated sufficient quality and coherence to approve and fund going forward. The possibility of allowing more time to revise the proposal had been raised, but Funders felt strongly that there should not be an exception made, and asked the System Management Board to take a decision on 31 July on whether the proposal was of sufficient quality to submit to the System Council as part of the proposed new CGIAR Portfolio. The importance to the overall portfolio and its contribution to the SDGs of the crops covered by the DCL proposal was recognized, and the Board felt strongly that every effort should be made to deliver a proposal with more focus and coherence, with a clear vision and pathways to impact. The Board had therefore asked the Interim Executive Director and the System Management Office to provide whatever level of assistance that ICRISAT as Lead Center felt would be helpful for the proposal team as they set about preparing a substantially revised submission by 31 July. The Director General of ICRISAT and the Interim Executive Director affirmed their commitment to this process. The meeting was advised that the Board will meet virtually at the end of the month, or as soon as possible thereafter, to take a decision of the submission of the revised proposal.

Other Meeting Reports

The Chair summarized other agenda items covered in the Board's meeting, including:

- Presentations from ISPC and IEA on outlines of work plans and budgets, recognizing that further detail will be provided at the Board's subsequent meetings.
- A discussion on the desire of all parties to avoid over-evaluation, and the effective use of lessons learned and foresight activities undertaken.

In response to requests from Center colleagues for feedback from the System Council and Board meeting to date, discussions took place with the following key items being raised:

- On W1/2 funding in 2016: While this had not been a specific agenda item at the meetings, it was advised that no information had been received that funding forecasts would change. It was also noted that previous uncertainty was one of the reasons why the agreement had been sought on the carry-over approach to increase financial security. The positive indication of the Global Food Security Act passed by the US Congress was reported, which represents a good signal that the current approach including strong research investment will continue into the next administration.
- On the possibility of W2 funding for Flagships: Now that there is greater aggregation at flagship level, it was confirmed that there had been donor interest in allocating W2 to stronger flagships, but that decisions on this would be taken at the second System Council Meeting. The desire of funders to see the System move towards a place where there can be confidence to allocate more W1/2 funding for CRPs was confirmed.
- On funding by Flagships: the question of safeguards for the integrity of the portfolio, and the need for better illustration of the interconnectedness of the flagships was raised as funders consider the possibility of funding individual flagships.
- On the General Assembly of the Centers: It was confirmed that the Rules of Governance Working Group will be looking at the organization of this, and that the Board recognizes the importance of having the backing of the whole team of Centers. Scheduling for the first meeting will be agreed and communicated as soon as possible.
- On the Financial Framework Agreements: A detailed timeline is now in place, and two working groups are now set up, the first looking at the Trustee Agreement and the other at the Financial Framework Agreement between System Organization and each of the Centers. The groups include 2 Center legal representatives.
- On site integration: Concerns over the speed and scope of the process were raised as a risk, with the need for lessons learned to be incorporated emphasized.

Teleconference Close

The Chair thanked Center colleagues and reaffirmed the commitment of the Board to work on behalf of the System, and closed the session.

Annex 3: List of Participants
Paris, France; Monday 11 & Wednesday 13 July 2016

Annex 3: List of meeting participants

Name	Capacity	Notes
System Management Board members		
Martin Kropff	Voting member and Interim Chair	
Catherine Bertini	Independent voting member	<i>Participating Remotely on Monday 11 July only</i>
Eugene Terry	Independent voting member	
Shenggen Fan	Voting member	
Gordon MacNeil	Voting member	
Bushra Malik	Voting member	
Jimmy Smith	Voting member	
Margret Thalwitz	Voting member	<i>Participating Remotely on Monday 11 July only</i>
Ann Tutwiler	Voting member	
Nick Austin	Ex-officio Non-Voting member	
System Management Board Active Observers		
Maggie Gill	Active Observer, ISPC Chair	
Victor Kommerell	Active Observer, Program Manager (as delegate for CRP Leader)	<i>Participating Wednesday 13 July only</i>
Rachel Sauvinet-Bedouin	Active Observer, Head, CGIAR IEA	
Tony Cavalieri	Active Observer, BMGF, System Council member	<i>Participating Wednesday 13 July only</i>
Eric Witte	Active Observer, USAID, System Council member	<i>Participating Wednesday 13 July only</i>
Additional Observers and Invited Guests		
Karmen Bennett	Governance, Subject Matter Expert	
Morgane Berenguer	Logistics Support	
Tony Brown	Senior Legal Advisor	
Olwen Cussen	Assistant to the Executive Office, Meeting Support	
Hannah Edwards	Manager, Communications & Branding	<i>Participating Monday 11 July only</i>
Albin Hubscher	Director of Finance & Corporate Services, Subject Matter Expert	
Victoria Pezzi	Registration Support	
Kathleen Sexsmith	Board Chair Support	
Leslie Lipper	Invited Guest, ISPC Executive Director	
Agenda Item 8 only: Additional Observers and Invited Guests		
All DGs and Board Chairs		
Peter Gardiner	System Management Office	