

**System Management Board
Formal Decisions – 1st Meeting
11 & 13 July 2016**

Purpose

This document records 10 formal decisions of the System Management Board, as they were taken at the board's 1st meeting on 11 and 13 July 2016, held in Paris, France.

In addition to formal decisions taken, the System Management Board identified a series of actions ("Action Points") that it also wished to be taken forward. The status of Action Points will be reviewed at each meeting of the System Management Board to ensure timely follow up and/or implementation as required.

Distribution notice:

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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. Noted 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