

Comments from Chris Gerrard and Markus Palenberg on the Preliminary Consultation Draft – Options for CGIAR Governing Structure and Decision Making (version of March 3, 2015)

Washington DC and Munich, March 10, 2015

We have led the first two CRP evaluations in the reformed CGIAR that were commissioned by the IEA. Markus was team leader of the evaluation of CRP6 – Forests, Trees and Agroforestry (FTA) – and Chris has led the evaluation of CRP2 – Policies, Institutions and Markets (PIM). Therefore, we have a perspective on the CGIAR Reform from the point of view of the operation of the CRPs.

The FTA evaluation report is available at <http://iea.cgiar.org/evaluation/crp-evaluation-forests-trees-and-agroforestry-fta>) and the draft PIM evaluation report was shared with the PIM Director and others on March 8 for their review and comment.

We have also led or overseen reviews of four of the comparator partnerships during the last five years – the Clean Technology Fund, GAVI, GEF, and the Global Fund to Fight AIDS, Tuberculosis and Malaria — and have participated as governance experts in three CGIAR Challenge Program evaluations. So we also have views on the relevance of these benchmarks for the CGIAR and on earlier programmatic approaches. (See the summary of lessons learned and guidance on CGIAR programmatic governance in Annex G of the FTA evaluation.)

We welcome the opportunity to comment on your present draft, since several technical and operational issues with high relevance for System-level governance have emerged from our CRP evaluations.

Since our comments on the preliminary consultation draft are very similar, we have merged them into a single document.

Comments

1. The preliminary analysis presented in the draft options paper is rigorous and thorough, correctly identifies a series of challenges, and offers a number of useful mitigation and solution options. We especially appreciate the listed and explained original reform intentions and would encourage your discussing achievements and failures following the same structure in a later version of the options paper. While we agree with many findings, we also feel that some aspects need further highlighting, particularly some constraints that have emerged from the first few years of the Reform.

2. The Reform has had some benefits. As stated in paragraph 18, collaboration among Centers has increased. In the case of PIM, engaging most of the social scientists across the CGIAR System has created an intellectual critical mass to pursue cutting-edge science. Inter-Center collaboration is (a) strengthening the impact pathways of PIM research by engaging Centers that are closer to the users of the research; (b) bringing together discovery and

delivery-type researchers to address development challenges in a more complete way; (c) deepening country-level partnerships that have greater potential for more immediate development outcomes; (d) enabling researchers in the commodity-based Centers to work on important socio-economic issues that are broader than the commodities covered by their Centers; and (e) helping to raise the scientific quality of social science and policy research in the participating Centers. Researchers are paying greater attention to impact pathways in the design and implementation of their research activities, and to achieving development outcomes beyond their research outputs.

Analysis of Current Issues

3. Several issues of central importance deserve additional highlighting in the discussion of current challenges and the not-yet-achieved reform objectives.
 - a. The level of trust and the quality of working relationships between the System-level bodies in the CGIAR and the Centers seem to have deteriorated significantly during the first three years of the reform. This has critical consequences for a system such as the CGIAR that has historically operated on an informal basis marked by consensus and negotiation. The current donor-recipient-style communication between the Consortium Office and the Centers does not reflect the responsibilities that the Centers have towards bilateral donors that fund the majority share of their CRP portfolios.
 - b. Both FTA and PIM have organizational structures in which they rely on principal investigators and their research teams outside of their direct line of accountability to deliver the research that they fund. Rather than a hierarchical structure, CRP management find themselves in more of a collective action situation in which they play largely a coordinating role in terms of accountability. Rather than being in a hierarchical relationship with the CRP Director, CGIAR scientists in the Lead and participating Centers still report to their line managers and to their Directors-General, and the latter are accountable to each CRP like they are accountable to any donor, except that this donor happens to be located inside one of the Centers. The CRP Directors have also had little or no accountability in practice for the use of bilateral funds that are supporting activities mapped to their CRPs, notwithstanding the somewhat nebulous language to contrary in the Program Implementation and Participant Agreements. For these organizational structures to work effectively, CGIAR scientists in the Lead and participating Centers have to have an individual sense of mutual accountability and shared commitment to conducting research to benefit the poor in developing countries. It is not possible for CRP management to effectively supervise the research that is taking place, particularly in the non-Lead Centers, in a purely contractual way through the PPAs.
 - c. That what used to be called CGIAR core funding is now being channeled through the CRPs raises questions about sustaining the research infrastructures that the CGIAR Centers have built up over the years. Allowing the Centers to allocate some W1-2 funds to help finance the indirect administrative costs of bilaterally funded activities only partially addresses the issue that the Centers are no longer receiving core-type unrestricted funds to sustain the research infrastructures. Now the Centers have to be very disciplined about making sure that all donors pay the full costs, including the indirect administrative costs, of the research that they are funding. The CGIAR donors

made a commitment in the Joint Agreement with the Consortium and in the CGIAR Principles to full cost recovery for all sources of financing (including W3 and bilateral) that are supporting the SRF for precisely this reason — to sustain the research infrastructure that the Centers have built up over time. That some donors are reneging on these commitments while collectively denying unrestricted core funding to the Centers is also an accountability issue that is threatening the maintenance of that infrastructure. The CGIAR Centers cannot be run like a for-profit research consultancy. They require reliable long-term funding to sustain their research infrastructures, including keeping their top-level research personnel.

- d. Principal investigators have come to view W1-2 funds as largely short-term and flexible and bilateral funds as more long-term and reliable, due to the uncertainties associated with the amount of W1-2 funding available and the annual allocation of these funds. They now tend to regard bilateral funds as forming the foundation of their research programs, and the W1-2 funds as supporting research which builds on this foundation. PIM has, for the large part, allocated its W1-2 funds to support new or expanded components of larger projects already being supported by W3 or bilateral funding.
- e. The timely disbursement of funds from the Fund Council is not happening. Putting in place three levels of contracts to provide for the fiduciary oversight of W1-2 funds has impeded the flow of funds down to the principal investigators managing each research activity, since the Lead Centers must sign annual PPAs with each Center before disbursing the funds to each Center. In the case of PIM, during the last two years, IFPRI sent the PPAs to the other Centers for review on July 1, 2013, and June 27, 2014, respectively. The other Centers took an average of 58 days to review and sign the PPAs in 2013 and an average of 39 days in 2014, and actually received their funds between August and November — that is, for some Centers in the final quarter of the year in which funds were to be spent. Center Directors of Finance and Administration report cash flow problems. They pre-finance the research activities, starting in January of each year, essentially by continuing to pay the salaries of long-term staff. Principal investigators report delayed authorizations to recruit, not just new staff, based on promises of W1-2 funds later in the year, but also to recruit consultants to assist with the research activities, and to negotiate contracts with partners for the delivery of services such as household surveys in developing countries.
- f. At the outset, the Fund Council treated W1 and W2 as substitutes in meeting the budgets of the CRPs. If a CRP raised more W2 funds than expected, then the Fund Council would reduce its allocation of W1 funds. Treating W1 and W2 funds as substitutes in meeting the budgets of the CRPs helps explain why the CRPs and their Lead Centers have not spent much time and effort mobilizing W2 resources. Now (in 2015), this situation may be changing — allowing Centers and CRP Directors to mobilize additional W2 resources without losing W1 funds.

Share of Window 1-2 Funding

4. A central issue in both CRP evaluations was the share of funding through Windows 1 and 2 vis-à-vis the overall level of funding. Although overall funding for the CGIAR has increased, most of the absolute increase has occurred in W3 and bilateral funding. In the FTA

evaluation, Windows 1 and 2 represented less than 40 percent of the total CRP budget and almost all research projects were executed under bilateral funding agreements (with or without co-financing from Windows 1 and 2). Similarly, the share of W3 and bilateral funding in PIM has increased from an anticipated 47 percent to an actual 74 percent during 2012–2014. We do not anticipate this situation changing. As Japan explained in Annex A of your Consultation Draft, it “mainly contributes funds bilaterally and through Window 3, since ear-marked contributions enable Japan to finance research that is directly linked to political priorities.” Donors have to report back to their parliaments and budget committees, which accountability is more easily served with ear-marked funds.

5. But this has changed the relative stakes in both FTA and PIM, and by extension other CRPs, which has profound implications for their effective governance and management. Apart from funding the programmatic structure and some important activities, the W1-2 funding overall exerts only a minority influence on the overall research that is mapped to FTA and PIM. This reality has important consequences for System governance as well. CRPs – and by consequence the entire CGIAR research portfolio – cannot be governed as in a centrally funded program with the ability to “impose” results targets and implementation strategies on institutional implementers. As the FTA evaluation report notes for the role of the FTA Steering Committee (p. 144):

While strengthening the independence of the SC is important, the role of FTA Participant Institutions cannot be reduced to that of implementers that receive their marching orders from one central governing body in which they have no say. Currently, most of FTA’s portfolio consists of projects voluntarily mapped to FTA by Centers. If programmatic direction-setting is to translate into the bilateral part of FTA portfolio as well, for example through increased selectivity and visible integration of bilateral grants with FTA, FTA Participant Institutions need a continued strong voice in FTA strategic priority setting. The SC should therefore maintain the current policy of having up to 8 members representing FTA participant Institutions.

6. These remarks also hold for System-level governance. The past and current Strategy and Results Frameworks do not take this aspect into account. Contractually, it has remained largely unclear “*exactly which obligations exist for bilaterally funded projects within FTA, how compliance to those obligations is assessed, and what consequences ensue in case of non-compliance. This applies to agreements between all levels: from FTA Participant Institutions to the Lead Center, from the Lead Center to the Consortium, and from the Consortium to the Fund Council.*” (FTA evaluation report, p. 120).

7. In our view, either, the size of the CRP portfolio needs to be adapted so that it is truly driven by Windows 1 and 2 (in which case a centrally run program is a realistic option), or a reduced mandate for central governance because the significant, largely uncontrollable bilateral project portfolio needs to be acknowledged.

8. We agree with the suggestion to build Center representation on the Consortium Board as an important step, but warn that any centrally agreed CRP involving a majority share of yet

to be acquired bilateral grants, each with donor preferences and ensuing contractual responsibilities for Centers, may not be realistic.

The SRF, Results-Based Management (RBM), and Performance-Based Budgeting (PBB)

9. The 2011 version of the SRF have displayed unrealistic assumptions on various levels. The FTA evaluation notes (p. 139):

- a. *First, the apparently assumed attributability of research activities to development outcomes such as increased income, productivity, consumption of nutritious foods and decrease in natural degradation contradicts current textbook knowledge in the evaluation sciences.*
- b. *Second, the apparently assumed monitorability of development outcome indicators is unrealistic. While each of the currently deliberated indicators can certainly be estimated with appropriate methodology, the capacities required for conducting these evaluative activities on, for example, an annual basis for all countries, target groups and target subjects of FTA (or the CGIAR) likely exceeds available capacities and resources by far.*
- c. *Third, the sometimes decades-long time-lags between research activities and their intended development outcomes conflict with keeping results-based management relevant. While this information is very important for learning and planning, resource allocation decisions and management feedback cannot be based on decade-old performance, and current performance cannot be determined by uncertain models extrapolating outcomes into the far future.*
- d. *Fourth, the mechanical, quantitative comparison of value-for-money at the level of development outcomes appears beyond the reach of current methodology (Palenberg, 2011, Tools and Methods for Evaluating the Efficiency of Development Interventions. p. 103). On this level, likely approaches for rational decision-making derived from utility theory or simpler expert scoring models are most promising, all of which include a great deal of expert judgment and donor preferences in addition to hard data.*

10. The Consortium initiated a System-wide effort in 2013 among all the CRPs to put in place a collective monitoring and reporting framework. As a result of this initiative, PIM prepared an elaborate set of results frameworks for each Flagship and Cluster which included problem statements, objectives, IDOs, gender-specific IDOs, outputs, annual outcomes, 5-year horizon outcomes, and indicators of progress. But these are so elaborate and so operationally unrealistic that the evaluation team did not observe them to be used much in practice as a monitoring and reporting instrument, except for the IDOs. The PIM Management Unit has also not found that the 2011 SRF has leant itself to a monitoring and evaluation framework based on outcomes, and hopes that the new SRF that is currently being prepared will be better in this regard.

11. Hence, we hence agree with the Options Team's suggestion of re-introducing expert assessment as a central tool for informed priority-setting and decision-making on the System level. In our opinion, any entirely mechanistic approach to target-setting, performance-based budgeting, and assessment of performance in producing development results is prone to fail.

12. In addition, there is ample evidence from more than three decades of experience with operating RBM regimes in the public sector that failure is often due to RBM degenerating into a command-and-control tool which suffocates the main purpose of RBM, i.e. that of improved results performance through critical assessment, learning and adjusted management and design. See, for example, a short literature review by one of us in <http://forin.finland.fi/public/download.aspx?ID=140845&GUID={135C7D62-90D9-4651-8600-A95A3634EB65}>, pp. 97). We also believe that the staff alienation effects often observed in such situations can also be seen in the Centers covered by the FTA and PIM evaluations led by us.

Relative Responsibilities of the System Bodies

13. The Options Team correctly identifies a number of governance inefficiencies at the System level. In the evaluations led by us, similar remarks were made. In our view, harmful gaps and overlaps occur for:

- a. Matters regarding single CRPs between the Fund Council and its Secretariat, the Consortium Board and its Secretariat, and CRP governance (the Lead Center Board and Senior Management, the CRP Steering Committee, and Participating Centers' Boards and Senior Management); and
- b. Matters regarding several CRPs (especially relative performance assessments and fund allocation decisions across CRPs) between the Fund Council and its Secretariat and the Consortium Board and its Secretariat.

Benchmarks

14. The CGIAR has some features that distinguish it from the six comparator partnerships. These differences need to be taken into account when learning from the envisaged comparative benchmarking.

- a. The 15 Centers are doing research on development. All six comparator partnerships are supporting actual development interventions, downstream from research. That is, CGIAR-supported activities are further removed from the ultimate beneficiaries of their activities, and therefore require different metrics to assess their performance. They are also typically much smaller in size. The CGIAR's capacity strengthening activities are probably the most similar to some of the other partnerships' activities, namely, their technical assistance activities.
- b. The six comparator partnerships are working first and foremost with recipient-country governments. As a result, donor and recipient country governments make up the majority of the voting representation on their governing bodies – as on the Fund Council, but not on the Consortium Board. The CGIAR sees itself as financing *global* investments for global public goods; the six comparator partnerships are largely financing *national* investments for global public goods.
- c. The 15 Centers are independent legal entities. They will continue to be responsible, among other things, for human resource management, supervision of individual research projects, and quality assurance. The CRPs were never intended to take over these responsibilities.
- d. While the GEF and the CTF also rely on implementing agencies to supervise the implementation of the projects that they finance, their implementing agencies (such as

the World Bank, the other MDBs, and UNDP) have their own portfolio of environmental projects which far exceeds those financed by the GEF and the CTF, respectively — in the case of the World Bank by a ratio of 20 to 1. The World Bank, the other MDBs, and UNDP would never consider themselves to be only a part of an environmental network headed by the GEF and the CTF.

- e. Having said this, one could perceive the 15 Centers as moving in the direction of the World Bank, etc., in that a larger and larger share of what they are doing is coming from their own bilaterally negotiated funding. That the Reform tried to use the W1-2 funds to steer the direction of the research in the entire CGIAR System would be a bit like the GEF trying to steer the World Bank's entire environmental lending with its GEF grant resources.
- f. Two of the comparator partnerships — GAVI and the Global Fund — do not even have implementing agencies. They are directly supervising their own activities.
- g. GAVI moved from a two-board structure to a one-board structure in 2008 — merging the former GAVI Board and GAVI Fund Board into the GAVI Alliance Board. This fundamentally changed the GAVI partnership from an informal alliance to a formal, corporate entity, in which the influence of the UN founding partners (UNICEF, WHO, and the World Bank) has diminished considerably. Some now view GAVI as primarily serving the interests of the pharmaceutical industry. Many Bank staff and others interviewed for IEG's Review of the GAVI Alliance (available at www.globalevaluations.org) have viewed skeptically GAVI's emphasis on making new vaccines available as quickly as possible, even if costly. The World Bank has largely withdrawn from GAVI, as the GAVI chair and CEO have been intolerant of contrary opinions on the GAVI Board, and UNICEF and WHO have largely become GAVI contractors rather than partners. The CGIAR should move very cautiously towards a one-board structure. Like happened in the case of GAVI, this could transform the CGIAR from a collective action entity, bringing the partners together out of a common interest, to a hierarchical top-down organization like GAVI has become.

Choosing among the Suggested Options

15. Like many of the comments expressed in Annex A of the Consultation Draft, we would advise against a radical restructuring CGIAR governance, such as the merger of the Fund Council and the Consortium Board into one governing body. Such a drastic change would be likely to produce another few years of costly changes and delays.

16. Of the options outlined, we are most partial to Option 3, but with an independent chair and independent representation on the Consortium Board in addition to the Centers. To keep the size of the Board manageable, there could be one representative from each of the 15 Centers (either their Board chair or Director General), and six independent representatives, one of whom was the chair. The independent representatives should have greater than their numerical say in the allocation of W1-2 funds among the CRPs. Consistent with good governance principles for non-profit organizations, the Board chair should be distinct from the CEO.

17. We agree that it would make more sense for the Fund Council to contract directly with each Lead Center without the Consortium as an intermediary, thereby eliminating one of the three existing levels of contracts. But the System should guard against the Fund Council developing the extensive kind of oversight and management structure like one sees in the GEF Secretariat, for example. The Fund Council's oversight should not extend beyond that of the CRPs — that is, not to individual CRP activities. The latter should remain the responsibility of the Independent Steering Committees for each CRP, in accordance with the recent (January 2015) agreement between Fund Council and the Consortium regarding CRP governance structures for the next generation of CRPs.

18. We do not think it advisable for the CRP Directors to be represented on the Consortium Board, as suggested in Option 1. The CRP Directors should simply report to their Independent Steering Committees.

19. The integration of W1-2 and W3/bilateral funding in support of the overall objectives of the CGIAR should occur at the level of individual CRPs, involving their Independent Steering Committees. Like the Consortium Board, each Steering Committee should comprise representatives from the participating Centers as well as independent members who would have a greater than their numerical say in the allocation of the W1-2 resources. The CRPs are not independent grant-giving foundations, in which case a purely independent governing body would be appropriate. Nor are the CRPs purely a collective action situation like the former System-wide programs in which each Center brought its own bilateral and other resources to the table in return for a seat at the table. Rather, the CRPs are a hybrid of these two situations. Their membership composition should recognize this.

20. These suggestions presume that it is still the desire of the System's stakeholders to have one CGIAR Strategy and Results Framework, while acknowledging that most of the funding will continue to come from bilateral project and program grants that are negotiated and contracted bilaterally between Centers and donors. This is the current reality that is unlikely to change, in our view. This reality requires less central authority and more collective action governance on both the Consortium Board and the Independent Steering Committees of the CRPs.

21. An alternative option would be to restrict the mandate of the Fund Council and the Consortium Board primarily to W1-2 funded activities. In this regime, most of the original assumptions made when designing the reformed CGIAR would hold true, but the bitter pill of only covering about one third of the originally envisaged research scope would need to be swallowed. There have been ample experiences with such an approach — incomplete programmatic coverage through Challenge Programs and System-Wide Initiatives — to avoid repeating past mistakes (e.g. the too complicated CP application process). But even in this scenario, the allocation of W1-2 resources at both the Consortium and CRP levels should take into account what research the bilateral funding is supporting.

Evaluation

22. Based on our experiences with leading the FTA and PIM evaluations, we would advise against any significant changes to the Independent Evaluation Arrangement (IEA) in terms of

its reporting to the Fund Council, or the independence of its work-plan and budget. The current arrangements are consistent with international good practice for independent evaluations. As the team leaders for these two evaluations, we found that the Head of IEA effectively shielded us from interest-group pressures in favor of certain evaluation results. Our evaluations met all four internationally recognized standards of independence: organizational independence, behavioral independence, protection from external pressures, and the avoidance of conflicts of interest.

23. The IEA should not be merged with the ISPC. This would reintroduce the former conflict of interest in which the ISPC would be responsible for evaluating the relevance and effectiveness of CRPs which it had previously reviewed and appraised at the inception stage.