31st ILRI Board of Trustees Meeting
20-22 April 2009
Nairobi, Kenya

Present: Uwe Werblow – Chair
Samir Barua
Nieves Confesor
Jim Dargie
Aberra Deressa
Knut Hove
Romano Kiome
Fee-Chon Low
Carlos Sere
Emmy Simmons
Modibo Traore
Bruce Scott – Secretary

Observers: Dennis Garrity –Director General ICRAF
ILRI Directors
Bruno Gerard – SLP
Ian Wright – ILRI representative for Asia
Ananda – Manager CasT
Aidan Moore – CGIAR Internal Audit office

Agenda Item No. 1
Welcome by the Chair

The Board Chair opened the meeting and welcomed members to the 31st Meeting of the Board of Trustees. He mentioned that the Board held a successful Board Retreat on 19 April which focussed on the CGIAR Reform Process and the implications for ILRI. The Chair welcomed the Director General of ICRAF and the new Auditor for the CGIAR Internal Audit Office for Africa which is hosted by ILRI.

Agenda Item No. 2
Review and Approval of the Agenda

The draft agenda was circulated to Board members in advance of the meeting. The Board secretary reviewed the entire agenda and asked for comments and modifications. Some minor changes were suggested including:

- A visit to the BecA Hub

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- Discussion on reorganising Committee work to make better use of the Board's time
- Discussion of the ILRI proposal to the Chair of the Climate Change Challenge Programme to host the CCCP Secretariat

Action: The agenda was unanimously approved by the Board.

Agenda Item No. 3
Review, Modification and Approval of the Minutes of the 29th Board Meeting

The 30th Meeting of the Board of Trustees took place in Addis Ababa from 3-5 November 2008. The draft Minutes were circulated in November 2008 and changes incorporated into the text. Board members had some editorial comments.

Action: With these amendments the Minutes of the 30th Board of Trustees Meeting were approved by the Board.

Agenda Item No. 4
Summary of Disposition of matters arising from the Minutes of the 30th Board of Trustees Meeting

An action list of matters arising from the 30th Board Meeting was prepared with the draft Minutes. The Board Secretary presented a summary of the status of the actions that Management had taken since the last Board meeting.
Follow up questions were raised in relation with the DG's November 2008 report concerning:

- the links between ILRI and CAADP and in particular the integration of livestock into the CAADP agenda;
- ILRI's position on the trade offs between food/feed and biofuels;
- And, a common and more balanced understanding with UNEP on livestock/environmental impact.

It was pointed out that ILRI's link with CAADP is through pillar 4 which is coordinated by FARA. The trade offs between food/feed and biofuels has been the basis of current SLP research and was shared with the Board PC. The draft letter prepared by ILRI and UNEP has been prepared and agreed upon. ILRI is looking for an appropriate venue for releasing it.

The Board expressed satisfaction with the follow up action taken by Management.

Action: This item was presented to the Board for information.

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Agenda Item No. 5
Director General's Report
The Director General provided a report to Board members on developments at ILRI and in the CGIAR since the previous Board meeting. The report covered the following:

- Global context – food crisis and financial crisis;
- CGIAR developments, including change management;
- Programme highlights for the research themes, regional programs, capacity strengthening programme, BecA and IPMS;
- Finance and resource mobilization – 2008 results and 2009/10 outlook.
- Human resources management;
- Information, public awareness, communications and events.

Following the presentation, the following issues were raised during the discussion.

The main discussion revolved around the issue of integrating agriculture into the agenda of the Conference of the Parties (COP) on Climate Change on the occasion of the meeting to take place in Copenhagen in November/December 2009. Currently agriculture is not part of the negotiations. However, FAO is working hard to get agriculture integrated into the climate change debate. FAO believes that it will be more effective to incorporate livestock issues into the broader agricultural agenda rather than treating livestock separately. Currently ILRI is working closely with the World Meteorological Organisation (WMO) to establish a side event in Copenhagen. The CGIAR is also registered as a member institution of the COP negotiations.

There was also a discussion on ILRI's response to the FAO report on the negative environmental impact of livestock (..the long shadow..). It was pointed out that ILRI has attempted to disaggregate the "long shadow" arguments by analysing the contribution that livestock make to the livelihoods of poor people in developing countries and quantifying the methane emissions from livestock managed by small holders in the South.

Finally the Board encouraged ILRI to finalise the common balanced statement with UNEP about the contribution that livestock make in environmental, social and economic terms in developing countries.

Other issues were raised which were addressed in the discussions at the Programme Committee.

Action: Board members expressed their satisfaction with the accomplishments and achievements at ILRI as outlined in the Director General's report.

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Agenda Item No. 6
Follow up on the recommendations to the 2006 EPMR Report

At the 26th Meeting of the Board of Trustees, the Board discussed the recommendations from the EPMR and formulated a response. The EPMR report was discussed by the Science Council on 28 March 2007 and by the Executive Committee of the CGIAR on 17 May 2007. The report was presented to Members of the CGIAR at the Annual General Meeting in Beijing in early December 2007 and approved.

It was agreed that follow up actions from the recommendations would be a standing item for Board discussion at future meetings. In March 2007, Management proposed an implementation plan for dealing with the actions for each recommendation. Management presented a progress report on the implementation of all 18 recommendations. The focus of the presentation was to apprise Board members on the progress of implementing the recommendations as well as identifying those recommendations for which action is pending. In summary good progress has been made on implementing most of the EPMR recommendations.

Action: The Board expressed satisfaction with the rate and quality of implementation of the actions for each recommendation.

Agenda Item No. 7
Report and recommendations of the Programme Committee

The Programme Committee held its meeting on 20-21 April. The Programme Committee proposed the following recommendations for consideration and approval.

1. The Board recognized the important changes in staffing and projects in the Biotechnology theme. The Board recommended that Management drafts a document on the strategic directions and implementation plan for the Biotechnology theme over the next 5 years to be discussed at the November 2009 Board meeting.

2. The Board reviewed progress in the BecA project and noted with satisfaction the substantial achievements in establishing and operating the facilities, building the BecA/ILRI Hub management team, training and capacity building and progress in broadening the funding base for the Hub. For its November 2009 meeting, the Board recommended that Management documents plans for future financial and business

management of the shared research platform. It also requested that a plan be presented for future partnership arrangements with African partners.

3. The Board heard an interim report on the CCER on the sustainable intensification of smallholder crop-livestock systems. The Board recommended that issues around environmental sustainability be considered prior to the final report submission. Once the final report is received, Management will prepare a response and action list for implementing the recommendations. These would be provided for decision at the November 2009 Board meeting.

4. The Board discussed a report on the Capacity Strengthening group. It expressed appreciation for the large amount of work accomplished and had questions on the future focus and the business model for Capacity Strengthening at ILRI. The Board recommends that Management reports at the April 2011 meeting with a review of quantitative and qualitative progress from the current baseline as well as future plans on how capacity strengthening activities integrate with research activities and add value to ILRI outcomes and impacts.

5. Given the central role of animal health research across all research Themes, the Board recommends that Management provides a paper on how animal health might be better aligned across research programs and Themes for the November 2009 Board meeting.

6. The Board discussed the preparation of the MTP 2010-12. The Board advised to focus changes on evolving thinking on livestock development challenges and some new directions in biotechnology and animal health. Output targets will be updated for 2010 only.

7. The Board reviewed the benchmark data of ILRI's activities in the different geographic regions of its operations. In discussing the potential benefits of doing an external evaluation in this area, the Board decided to defer a formal external review of globalization until directions of the CGIAR system change process become clearer.

8. The Board reviewed follow-up actions from past CCERs. There was satisfaction with progress made. The Board agreed to review a summarized report on CCER follow-up actions annually at its April meetings.

9. The Board reviewed the list of proposed CCER and recommends that no CCERs be held in 2010. Potential CCERs to be held after 2010 could include research and science management, BecA and pastoral systems. Options for these would be proposed by Management for discussion at the November 2009 meeting.

Action: The Board of Trustees unanimously approved the recommendations presented by the Chair of the Programme Committee

Agenda Item No. 9(a)
Risk Management

The Board reviewed the "Summary of 2008/09 Key Risk Analysis and Mitigation Plans for the Institute as well as a Board Statement on Risk Management for 2008.

The Board expressed its appreciation of the work of the Committee set up by Management to examine risk and mitigation plans for 2009. The Board was pleased to note that a two day workshop had recently been completed for staff on risk management organised by the CGIAR Internal Audit office. The Board felt that in future the Risk Management Plan should also outline the impact of the risk identified for the institution and also recommended that the analysis of the risk should be undertaken in the framework of the following elements:

- operational effectiveness;
- financial integrity and compliance;
- legal compliance;
- efficiency;
- safety and security.

Finally the Board questioned whether staff turnover was a risk for the institute. The Board requested Management to review the 2008/09 risk analysis in light of the comments made.

Action: The Board approved the proposed "Board Statement on Risk Management for 2008".

Agenda Item No. 9(b)
Report and recommendations of the Human Resources Committee

The Human Resources Committee met on Tuesday 21 April 2009. The HR Committee reported to the Board that they had approved a number of HR policies. The HR committee also met in with the representatives of the Staff Councils and received reports from Management on job classification, the staff climate survey, and performance management
The Board noted with satisfaction the completion of a series of policies in the HR area which were adopted by the HR Committee. These included:

- Early Retirement policy
- Long service awards
- Removal of the 13th year cap on severance payment for retirement
- Role of staff councils

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- Joint appointment staff policy
- Public holiday leave policy

The Board asks Management to communicate these policies widely to ILRI staff.

Action: The Board unanimously approved the report by the Chair of the Human Resources Committee.

Agenda Item 9(c)
Report and Recommendations of the Finance Committee

Summary of the Finance Committee (FC) meeting:

The Finance Committee (FC) met on Tuesday 21 April. The following is a summary of its discussions:

- Notes the efforts of ILRI managers to optimize the use of unrestricted funding in 2008. This made it possible to end the year $1.4 million in the black.
- Recognizes the challenges for ILRI resource mobilization going forward – in light of current global economic conditions and the CGIAR "change" environment.
- Notes the satisfactory completion of actions that ILRI and ICRAF have undertaken to align and share services and suggests that lessons learned will be useful in the CGIAR change process.
- Notes the significant resource mobilization challenges that have been set for the 2010 budget.
- Requests that the June 09 quarterly financial report be distributed to FC members as soon as possible to enable review of progress made and projection of resource availabilities through the end of 2009
- Requests that the Alliance report from the Donor Meeting to be held in London 29-30 April be distributed to FC members.
- Requests that the BecA accounts be clearly separated from those of ILRI so that BecA's financial operations and ILRI's use of and contributions to BecA will be transparent.
- Requests that, at the November 2009 BoT meeting, the pipeline of project proposals for 2010 be included in the overall budget presentation.

Recommendations for Board approval:

1. **That the Board of Trustees approves the revised 2009 budget of $60.059 million.**

It was noted that the increase of $8 million over the budget approved by the BOT in November, 2008, is explained by:

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- change in methodology for including BecA income/expenses in budget (approx $4 mn)
- three new program grants (approx $4 mn) that register both as new income and projected expenses.

This recommendation was unanimously approved by the Board

2. **That the Board of Trustees approves the ILRI Investment Committee Proposals:**

-To diversify its risks, ILRI select a fourth international bank with which to do business
-That HSBC be selected as that bank
-That the ILRI investment policy be modified to:
- Clarify the criterion (4-III) regarding the ratings of issuers of government bills and bonds (to not less than AA, Standard and Poor or equivalent)
- Add criterion (4-IV) regarding the objective of apportioning resources as equitably as feasible among the four selected international banks
- That the Board *not* endorse the Investment Committee proposal to consider/invest in corporate bonds

This recommendation is rejected by the Board. The Investment Policy will be amended to allow for up to 20% of the reserves to be invested in corporate bonds rated AA or better by a reputable rating agency (S&P, Fitch, etc.), using the services of a reputable investment broker. Portfolio diversification and close monitoring by the Investment Committee is assumed.

This recommendation with the amendment was approved by the Board by a simple majority vote

In addition to these approved recommendations the Board suggests that the Investment Committee continue to monitor its banking relationships and consider the possibility of replacing one of the current banks, or addition, under terms and conditions similar to those discussed regarding the use of HSBC for ILRI banking services, of a fifth bank.

Finally the Board wished to recognize the contributions that Michael Klass has made as interim Director of Finance and Operations.

Agenda Item No. 9(d)
Report of the Audit Committee

This meeting of the Audit Committee was held on Tuesday 21 April. The Committee received a report on the Audited Financial Statements for 2008. It was able to seek clarification on a number of points with the External Auditors and had a "closed session" with them. The Audit Committee also received a status report from the Internal Auditor on implementation of previous audit recommendations as well as an up-date on the implementation of the 2009 audit plan.

The External Auditor confirmed that the financial statements of ILRI for the year ended December 31, 2008 were prepared:

a. In conformity with CGIAR financial guidelines series No. 2 – Accounting Policies & Reporting Practices Manual (Revised February 2006) and IFRS

b. In conformity with stated policies and procedures of the organization; and

c. *give a true and fair view of the state of affairs of the organization*

The External Auditor certified the accounts without qualification

The External Auditor expressed:

- Satisfaction with the functioning of existing control systems
- Satisfaction with the attitude of the organization towards observance of standard operating procedures
- Satisfaction with the co-operation received from management in carrying out their task.

The External Auditor however expressed concern about the computerized financial system in relation to:

- Access (well defined rights)
- Authorization (and de-authorization)
- Procedure for modification of software (approval, documentation, etc.)
- Audit trail (log)
- Back-up for business continuity (disaster recovery)

In discussion with the Internal Auditor the following issues were raised;

- Need for policy on receivables (provisioning norms for doubtful receivables)
- Need for SOP on return/disposal of assets as specified in restricted donor contracts
- Need for framing policies and SOP for computerized system (system audit may be required at some stage).
- Need for adequate provisioning to meet severance benefit liabilities that would arise in the future
- Need to frame SOP for hand-over of charge when an employee leaves the organization
- Need for large scale training in costing of activities and projects

The Chair thanked the ILRI Finance team and the Audit team for providing the Audit Committee with relevant analysis to frame its recommendations.

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Action:

The Audit Committee recommended to the Board of Trustees that:

1. Having reviewed the Financial Statements of ILRI for the year ended December 31, 2008 and having held a private session with the EA, Deloitte, and reviewed its findings:

"The Audit Committee of the Board of Trustees recommends that the Board approve the Consolidated Financial Statements of ILRI and Kapiti Plains Estates Ltd for the year ended December 31, 2008."

2. Following its private session with the external auditor, Deloitte and presentation of review of the External Auditor's performance by ILRI management:

"The Audit Committee of the Board of Trustees recommends to the Board that the audit firm, Deloitte be reappointed as auditors for the year 2009."

The Board unanimously approved the recommendations from the Audit Committee.

Closed Board Meeting

Agenda Item No. 10(a)
CGIAR Change Management

At its Retreat on 19 April 2009 the Board reviewed progress to date in the CGIAR Change Process based on update and information provided by the Board Chair and ILRI Senior Management as well as the following background documents:

- Draft Consortium Options Paper
- Summary of Consultation with Alliance Members
- Update on CGIAR Reform by the Alliance Office

As a result of these discussions, the Board issued the following Statement:

Observations
The ILRI Board continues to believe, as stated in our earlier "Board Position and Recommendation" that the reform process is going in the right direction, especially with regard to the definition and establishment of the Consortium. We are, however, concerned about the pace of the process, participation of the funders, and some specific aspects of proposed reforms. These concerns, taken together, raise a number of risks for ILRI's operations, especially regarding uncertainties in funding for ongoing and planned research.

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Pace. Since Maputo, the Alliance has launched design and consultation processes that have helped to define a few concrete options for establishing and operating a Consortium of 15 Centres. ILRI Board discussion of these options, though, indicated that it will still take some time to understand the advantages or disadvantages of the approaches. An extended discussion of governance options allied with the various Consortium models, for example, do suggest that considerable inter-centre discussion as well as interaction with funders will be needed to choose among a number of possible configurations and approaches regarding the: structure and appointment of the Consortium Board; the terms of reference for the Board; the profile of the Consortium Director and mechanisms for interaction between the Consortium Board and Centre Boards. While we understand that the deliberative process takes time, each of these choices has implications for ILRI's management and financing of its research agenda, the responsibilities of the ILRI Board, and the kinds of costs and benefits from Consortium membership that ILRI could expect. The slow pace of the Consortium design process increases uncertainty to ongoing governance and operations. Further, work on the draft Strategic/Results Framework is just beginning; so the full scope of the Alliance's proposal regarding the Consortium is not likely to be ready before year's end. The ILRI Board expresses concern that donors might delay funding commitments for next year (2010) pending greater clarity on the change process; this could have serious effects on continuity of research programs and cause further erosion of unrestricted funds and losses of key staff.

Funders' participation in the change process. To date, there has been little engagement with funders regarding the design of the Fund, potential contributions, and their strategic priorities. The upcoming donor meeting in London on April 29-30 should result in greater clarity regarding funders' intentions and commitments. The Board has identified four issues of particular concern that it proposes the Alliance should raise at the funders' meeting:

- The overall level of funders' commitments – will the anticipated increase in total funding for the CGIAR system materialize?

- The establishment and management of the "Fund" to manage pooled funding resources, e.g., have the issues that caused the EU and others to channel their funding through IFAD rather than the World Bank been resolved?

- The expectation among many funders that transaction costs in the System will be significantly reduced by the reform. The creation of the Fund may reduce funders' own transaction costs, but, increasingly, Centres are realizing that the restructuring of programs and realignment of collaborative relationships will require increased investments by Centres, particularly in the transition phases. Further, as the Centres begin to address the challenge of working more collaboratively on more complex research problems, transactions costs will necessarily rise.

- The timing of agreement between the Consortium and the funders regarding the Strategic/Results Framework and "mega-programmes." It now looks likely that this will not happen before 2010 at the earliest, implying a fairly long period of uncertainty and transition for Centres' financial forecasting and programming.

The ILRI Board also proposed that the Alliance should ask the World Bank to consider the provision of a grant bridge funding (e.g., up to $200 million) in the event that anticipated bilateral contributions are not available in a timely way.

Specifics of reform. While there has been good discussion of the principles behind the CGIAR reform process, and wide agreement on many, if not all, of the proposed structural changes, a lack of specificity with regard to a number of aspects of reform makes it difficult to envision the pro's and con's of various options and approaches. Draft terms of reference for a proposed Consortium Board (for each option) is needed to clarify the level of authority that the Consortium Board could exercise relative to that of the Centre boards. Other governance issues (e.g., restructuring of system, designation of lead responsibilities) also prove difficult to address without additional elaboration and legal definitions. While recognizing that it will take time to work these decisions through, it is essential to find those solutions that really add value to the System – otherwise the principles that we hope will lead to a stronger Consortium could be watered down so far as to result in only a marginally-upgraded Alliance. .

The ILRI Board recognizes that ILRI's DDG and staff are playing an enormously helpful role in hosting the Group of Deputy Directors General (DDGs) from 13 of the 15 Centres to draft up three examples of model "mega programmes." ILRI would like to see this DDG group's involvement in conceptualizing the Consortium's research agenda continued. The concrete nature of three programme "mock-ups" should help Alliance members to consider, with some degree of specificity, alternative approaches to constructing and managing the Consortium portfolio over the coming weeks and months. They have already highlighted the potential for collective action to address the complex development challenges of today through multi-disciplinary solutions and strategic partnerships. They show how the System can organizationally and operationally redefine itself, moving well beyond its original image of "commodity development centres." These new programme concepts need, of course, to be integrated at some point into a portfolio capable of accomplishing the goals laid out in the Strategic/Results Framework. More collaborative work of this nature needs to be completed to help move the process of reform forward.

Finally the Board notes that additional thinking is needed to define how the two system pillars - the "Fund" and the "Consortium" - will be linked organically to facilitate communication, decision-making, and strategic adjustment. Definitions of performance contracts or agreements, managing the balance between donor resources channeled through the collective Fund and directed to one or more Centres' programmes, and incorporation of ongoing multicentre, multipartner programs into a new "mega-programme" structure all remain outstanding questions.

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Conclusion

The ILRI Board encourages ILRI's Board Chair, Director General and senior staff to stay constructively engaged with the CGIAR reform process and to provide leadership as well as support for the various phases of activity. There are positive benefits to be gained if the transition process is well-managed. The global livestock research agenda remains a challenging one: an abundant, safe, and nutritious global supply of animal products; sustainable management of natural resources; and a viable pathway out of poverty for millions of smallholders.

Action: The Board of Trustees unanimously adopted the ILRI statement on the CGIAR reform Process

Agenda Item No. 10(b)
Board Member Succession Planning

The ILRI Board is searching for two new Board Members in 2009. After extensive canvassing, Management and Board identified a potential list of 35 names. Management reviewed the long list and based on a number of criteria (outlined below) narrowed the list to 10 potential candidates.

- Links and connections with sources of funding with a particular interest in philanthropy,
- Qualifications and experience in agriculture related biotechnology,
- Qualifications and experience in agriculture and rural development
- Experience in development policy and links to international development institutions and processes,
- Experience in the private sector with special reference to agricultural biotechnology and/or agribusiness,
- Background and experience in developmental innovation systems.

After discussion the Board agreed to a short list of seven candidates who should be approached to determine their interest and availability to join the Board if invited.

Action:

Agreed follow up action is:

- To write to the candidates to ascertain their willingness and availability to serve,
- Based on the replies received, the Board will then rate the available candidates,
- The Chair will then invite the top two to three rated to attend the November 2009 Board meeting as observers.

Agenda Item No 10(c)
Board self-evaluation

The Board is required to undertake a self evaluation of each Board meeting. An instrument has been developed with assistance from the CGIAR Secretariat and the Governance CCER. This was provided to each Board Member electronically and was completed and returned to the Board secretary. The Board Secretary will analyse the assessment and comments from Board Members and share the results with Board members.

Action: Board Members were asked to complete the self evaluation forms and return the results to the Board Secretary by 30 April 2009. The Board Secretary will compile a report on the self assessment. All of the completed forms are retained by the Secretary.

Agenda Item No. 10(d)
DG Annual Evaluation

The Board undertook the annual performance assessment of the ILRI Director General based:

- On the key results areas defined by the Board for 2008,
- The DG's 2008 self-assessment,
- The DG Evaluation Form filled out by individual Board Members.

The Board Chair provided feedback to the DG in a private session and produced a summary report on the outcome of the evaluation.

Agenda Item No. 10(e)
Dates of Future Board meetings

The Board plans its meetings two years in advance to enable Board Members to plan their respective schedules. Board Members are also encouraged to participate in the ILRI Annual Planning Meetings (APM). Therefore the APM is scheduled immediately in advance of the Board meeting in March/April. The following dates and venues were agreed:

1. 32nd ILRI Board Meeting 8-11 November 2009 in Addis Ababa
2. 33rd ILRI Board Meeting 11-14 April 2010 in Nairobi
3. 34th ILRI Board Meeting 1-3 November 2010 in Addis Ababa
4. 35th ILRI Board meeting 3-5 April 2011 in Nairobi

Agenda Item No. 10(f)
Any other business

1. ILRI responded to a call to host the secretariat of the Climate Change Challenge Programme (CCCP) at ILRI headquarters in Nairobi. ILRI is one of six applicants. The ILRI hosting proposal was approved by the Board.

2. The Board had a first round of discussion on reorganising the work of the ILRI Board Committees with the objective of improved efficiency. Following initial proposals it was agreed that the Chair, in collaboration with the Chair of the Programme Committee, the ILRI DDG and the Board Secretary will prepare a more precise proposal.

There being no other business, the 31st Meeting of the ILRI Board of Trustees ended on 22 April 2009 at 16:45 hrs.

Signed: **Dated:**

Uwe Werblow
ILRI Board Chair

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