

## 6 GOVERNANCE

The Panel had the opportunity to observe board and committee processes in operation during their sessions in September 2005; in addition, it had the benefit of perusing on a selective basis board and committee agenda material and minutes during the review period. The Panel conducted a brief Trustee Perceptions Survey on certain board issues, and also referred to the results of another survey carried out in 2005 by an external consultant previously engaged by the Center on their own initiative.

WorldFish was established in Manila in March 1977, as the International Center for Living Aquatic Resources Management (ICLARM); in May 1992, it became one of the research centers supported under the auspices of the Consultative Group on International Agricultural Research (CGIAR); and, upon shifting of the headquarters from the Philippines to Malaysia in 2000, it is currently sited in Penang. A Head Quarters Agreement with the Malaysian Government in January 2000 recognizes the Center as an International Organization entitled to a measure of immunity and privileges applicable to such institutions.

The Center's activities are spread out in West and North Africa, Sub-Saharan Africa, South Asia, East and South East Asia, and the Pacific. Its overall employee head count at the end of December 2004 was 284, which included 36 research staff and 128 research support staff. At an overall funding of US\$ 14.3M in 2004, WorldFish is the second smallest among the 15 Centers in the CGIAR System.

### 6.1 Board & Committee Structure and Processes

WorldFish is governed by a Board of Trustees, currently numbering twelve, including the Director General, and a 13<sup>th</sup> non-voting member representing the Director General of the United Nations Food and Agricultural Organization. Two of the Trustees are nominees respectively of the Governments of Malaysia and Egypt.

The Center has, on its own, commissioned an exercise to ascertain Board competencies in 2004-05. The Panel would like to compliment WorldFish for this proactive initiative.

#### 6.1.1 Board Size, Profile & Trustee Tenure

Appendix 6-1 sets out the particulars of the Center's Board of Trustees as of December 2005. The total strength of thirteen trustees as of December 2005, comparable with other CG Centers whose Trustee numbers range from a high of 19 to a low of 11. In relation, however, to the size of WorldFish funding, the present size is too large. Board costs at WorldFish over the review period have been around the US\$ 215,000 mark in 1999 moving up to some US\$ 285,000 in 2004; the estimated number for 2005 is US\$ 360,000 and the 2006 budgeted figure is US\$ 320,000, or about 1.9% of the Center's funding estimate of some US\$ 18.1M in that year. 2004 and 2005 numbers include sizeable expenditure on development of performance management systems, governance improvements, etc commissioned for Board purposes, proposed higher frequency of meetings in 2006, larger number of field visits by Trustees to outreach locations, and so on, but even allowing for these, Board costs appear to be geared for a much larger scale of operations than is presently envisaged for the Center in the near future. (Board costs in many CG Centers have been rising in recent years. Total Board costs of all the Centers in

2001 were US\$ 3.34M and rose to US\$ 3.90M in 2004, an increase of some 18% in five years. During the same period, WorldFish Board costs rose some 100%, from US\$ 168.000 in 2001 to US\$ 339.000 in 2004. Source: CG Secretariat, February 2006).

The current Board is quite well diversified in terms of geographical and gender distribution, but not so in terms of complementary skill sets required for an institution such as the WorldFish. Seven trustees are from Part 1 (developed) countries and six from Part 2 (developing) countries. In terms of gender balance, with 42% of Trustees being women, compared to the overall CG Centers average of 28%, WorldFish is far ahead in the System; three out the five women on the Board (excluding the Director General for comparison purposes) are from Part 2 (developing) countries; this compares favorably with the CGIAR System average of 16% women on the Board from Part 2 countries.

In terms of skill sets, based on Panel perceptions during the Board and Committee meetings in September 2005, the Board needs to be strengthened in financial, risk appreciation, and basic management and legal appreciation skills. This need has also been brought out in a Board competencies survey carried out in 2005 by an external consultant employed by the Center.

In terms of scholarship, appropriately, the Board is very strongly endowed. Out of the 13 Trustees, 12 are PhDs, virtually all of them in disciplines bearing upon fisheries, agricultural economics, and social sciences. All the Trustees have proven track records in their fields of specialization.

Each Trustee is elected for a three-year term, which can be renewed for a further three-year term, but no longer. This process, not applicable to the *ex officio* directors, is intended to assist ongoing renewal and regeneration of expertise at the Board level. Although the second term for elected Trustees is discretionary at the option of the Board, (except in one solitary instance of a Trustee exiting a year ahead of her second term completion), such extensions have been granted to all the Trustees.

A review of the effectiveness of the Board renewal & regeneration process reveals that the Center has not been particularly successful on this count. Out of the nine members of the Board qualifying for this review (excluding the Director General, the FAO representative and the two Government nominees), as of December 2005, six Trustees (or two thirds) have been on the Board for periods in excess of four years. In an ideal situation, the Board should have no more than a third of its number in each tenure bucket of 1-2, 3-4 and 5-6 years at any time. To reach this ideal balance of tenure-mix by say December 2007, the Board may have to retire two existing Trustees in 2006, and retire three and recruit one new Trustee in 2007 as indicated in Appendix 6-2. The Board will still have to manage the recommended skill-sets profile in the interim, and it is possible that during the transition, numbers may actually exceed the recommended size, albeit for short periods.

The Board carries out a self-evaluation of its performance each year. From 1999 to 2001, this exercise was done in September each year and discussed within the Board in its next meeting. In 2002, the Nominating Committee recommended an open ended discussion on self evaluation forms and this was done in September 2002. In 2003, the Board reverted to written evaluation which was also followed in 2004, when Board competencies were first introduced in the questionnaire. In 2005, the Board went through

a facilitated session of evaluation with Ernst and Young, and later it was decided to pursue this with specific Key Performance Indicators; in September 2005, the Board agreed that it should develop a Board Competency Profile and work on this with an external consultant has commenced. The Board also decided to evaluate the Chair after a year in office, which will be March 2006. These are valuable efforts and are to be commended.

### **6.1.2 Board Committees**

Currently the Center has Audit, Nominating, Program, and Executive Committees. Membership details are available in Appendix 6-1. Each Committee has a Charter of its role and responsibilities that closely follows the guidance provided by the CGIAR System. Each Committee has a Chair appointed by the Board; the Board Chair sits, *ex-officio*, on several of the Committees.

#### *The Audit Committee*

An improved version of the Terms of Reference of the Audit Committee was approved by the BoT, at its meeting in September 2005, but its implementation will have to await a larger exercise of amending the Center's constitution. The general dearth of financial literacy and probing expertise on the Audit Committee is reflected in the relatively limited discussions on financial and accounting information submitted to the Committee. An improved financial reporting system has now been put in place that should qualitatively enhance the value of inputs received by the Committee, but its benefits will have to await strengthening of committee competencies as noted earlier.

Financial information to the Audit Committee and the Board need to be strengthened by inclusion of cash flows during the reporting period, and treasury management in terms of surplus cash investments. A short presentation of financials, perhaps by the CFO, would also help the Trustees in better appreciating the financials. The Panel notes with satisfaction the improvements in financial reporting to the Audit Committee and the Board in the latter half of 2005, and encourages management to further build on this in future.

Audit Committee processes allow for executive sessions with internal and external auditors, without executive management being present. The Center is to be commended for instituting this discipline that, internationally, is among the key best practices in this field. The quality of discussion and the value-add of these sessions however leave scope for significant improvement. This could be achieved by the Audit Committee Chair and members seeking out, through probing questions, the auditors' impressions on issues like not only the acceptability but also the appropriateness of accounting and reporting policies adopted by the Center, internal control weaknesses if any, and so on. It is also a valuable input to the Committee to seek assurance from the external auditors on their "independence" status at least once each year. For example, it was observed that the external auditors, at management request, conduct and issue audit certificates on project expenditures to some donors, and that the aggregate remuneration they received for such "independent" audits exceeded their remuneration for auditing the Center's own accounts annually. In our confidential discussions, the external auditors, Ernst and Young in Penang, did accept this could be deemed as a factor eroding their independence (though they affirmed it did not in fact) and offered to relinquish such work if the Center could find another firm to do such audits. It would be a good practice

for the Committee to elicit such information during their executive sessions, and consciously decide whether any likely erosion of audit independence was involved.

One of the cardinal inputs to external auditors in determining their plan of work and deciding upon the adequacy of internal controls in the organization is the internal audit's adequacy of coverage and its periodical reports. The external auditors of the Center reported to us they did not have access to the internal audit reports until after the financials were signed off, since apparently they await "approval" by the Audit Committee, which usually coincides with the tabling of audited annual or half yearly accounts for Board approval. Clearly, this needs the Committee's immediate attention and decision to release internal audit reports to external auditors as they are issued or at least make them available to the external auditors during their audit. The Panel suggests that the Internal Audit Reports be made available to the independent external auditors as and when they are issued.

The Committee meets with internal and external auditors in executive sessions separately. It would be better if both the auditors are present during the sessions since they complement each other's work and would benefit from each other's confidential views expressed to the Committee. Similarly, it would a good practice to have both the auditors present when each of them is making their presentations to the Committee, again for their mutual benefit and ultimately for the good of the Center. The Panel suggests that the internal and external auditors be invited to be present together at Audit Committee meetings when their agenda items and presentations come up for discussion.

It was observed that the Director General was not invited to the Audit Committee meetings, with management being represented only by some functional managers. (The Panel was informed that normally the CFO and the Corporate Services Director would attend, but in September 2005, the incumbents were not in place). This practice denies the Committee the opportunity to hear the Chief Executive of the Center on matters coming up for discussion and needs correction. It is of course open to the Committee to excuse the Director General, as indeed any other management representative, during executive sessions with auditors or even otherwise when it deems appropriate. The Panel suggests that the Director General be invited as a matter of course to meetings of the Audit committee to facilitate its deliberations, except when the committee meets in executive session without any of the executive management being present.

#### *The Program Committee*

In the context of the Center's mission and key activities, the Program Committee's primacy is unquestioned. Among CG Centers, membership of this Committee is reportedly the largest. At WorldFish, the present Program Committee comprises six trustees (seven from 2006), but all the other members of the Board also sit through the proceedings as observers. If full Board membership presence and participation are considered beneficial and appropriate, there is little advantage of retaining the Committee structure for this part of Board activities, except for the possible benefit of a different Trustee acting as the Committee Chair, and the Deputy Director General fulfilling the role of the Committee Secretary. It may be more functional to reserve half-a-day or even a full-day slot in the Board agenda for Programs discussion in open session with appropriate executive staff presence.

### *The Nominating Committee*

A major responsibility of the Nominating Committee is to evaluate Board balance and identify gaps in skill-sets that need addressing. While the Committee has been active during the review period in identifying suitable persons for possible Board membership, the Panel could not find any record of a formal balance study having been undertaken.

In the Nominating Committee meeting held in September 2005, it was observed that the Committee Chair was proposed and approved for recommendation to the Board, as Committee Chair for a second term. Continuance of sitting Chairs and members of Committees are more appropriately dealt with by the full Board (with the concerned persons being excused during such consideration), rather than being recommended by the Committees themselves, to obviate any potential conflicts of interest.

### *The Executive Committee*

The Center has an Executive Committee (in 2006, it will have six members) that met twice in 2005 (including once by tele-conference), alongside other Board and Committee meetings. This Committee's main utility is that it can act as empowered by the Board, on behalf of the Board as the need arises between full meetings of the Board. It can also deal with sensitive issues that are better handled within a smaller group than is possible at the full Board, and even more importantly, it should act as a finance committee of the Board.

#### **6.1.3 Processes**

In 2005, Board and Committee meetings have been held twice in the year. Given the activities of the Center and the need for adequate Board guidance and monitoring, there is a case for increasing the frequency of the meetings, not necessarily uniformly, but on a need-to-meet basis. The present practice of combining all the meetings together, while certainly cost-beneficial, does impose a strain on the Trustees and may also adversely impact their contribution. A major constraint to need-based scheduling of Committee meetings at different times, is the concurrent membership of some of the Trustees on the Board and several Committees. Equally, containing Board costs which, as noted earlier, are already on the higher side, would also be a consideration.

One way of addressing this issue would be to schedule at least some of the meetings on an audio-video-conferencing mode. Trustees who do not have access to such facilities may prefer to attend the meetings at the nearest location where such facilities are available. This will enable the Trustee to save on travel time and related processes, minimize cost of meetings at increased frequency, while at the same time offering the benefits of additional meetings.

The Center's Annual Reports seem to be published substantially behind time. The 2003 Report was issued late in the second half of 2004, and the 2004 Report was not published until after November 2005. The financial summaries provided in the Report do not have the audit signatures or certifications; in fact the name of the Center's Independent Auditors does not even appear anywhere in the Report. External audit certification is a valuable instrument of reassurance to present and prospective donors, host country governments, present and prospective employees, and other stakeholders. In the interests of transparency of accounting and reporting, the Center's audited accounts and audit reports should be included in the Annual Reports. It is also necessary that the financials are approved by the Board of Trustees, and the financials are certified by the Director General and the Chief Financial Officer (by whatever name called) of the Center.

The Panel suggests that the Annual Reports of the Center be published by April 30 of the following year, and the CEO/CFO certify that the financials have been prepared in accordance with generally accepted accounting practices and guidance provided by the CGIAR System, and that internal controls relating to accounting and reporting have been reviewed and found adequate to provide reasonable assurance of reliability of the reported financials.

All the Trustees have a fiduciary responsibility to the stakeholders of the Center, including the CGIAR members and the donor community, besides the host country governments and other stakeholders. It is a good governance norm that those with such fiduciary responsibilities render an account of the activities of the organization under their charge, and account for the financial inflows and outflows during the year. The Center should issue a Trustees Report, duly approved by the Board, in each of its Annual Reports. The present practice of overviews and statements from the Board Chair and the Director General may at best complement, but not substitute, such a formal Report by the Trustees.

It was observed that some Trustees did not actively participate in the proceedings of the Board and Committee meetings. The Chair has a special responsibility to draw out the members who may not be forthcoming for any reason, language not being the least of them, so that the Board can have the benefit of the views and contribution of all its members.

#### **6.1.4 External Reviews**

Besides the Second EP MR of the Center in 1999, there were five Center Commissioned External Reviews during the current Review period; three of them were in 2004 and 2005). Although CCERs nearer the time of an EP MR are preferred, the general impression gathered during the discussions at the Program Committee meeting in September 2005 was that the 2004 and 2005 Reviews were not very helpful or particularly value-adding to the Center. It would be useful for the Board to devote more time and attention while constituting the Review Panels and specifying their Terms of Reference, ensure adequate senior management attention and assistance to the Panels during their work, such that their inputs and recommendations are useful to the Center in improving its performance. It is also important that the Panel Chair (instead of the Director responsible for the area of work being reviewed) makes the presentations of the Reports to the Board, so that their recommendations could be better appreciated in the background in which they had been made. The contents of the CCERs are being evaluated and commented upon elsewhere in chapters 3 and 4 of this Report.

It will be appropriate, as the Center is planning to do at its September 2006 meeting to schedule CCERs on a Rolling Plan over a five year time-frame. This may facilitate the process of obtaining the best possible panelists, given sufficient advance notice, assisting in preparation by appropriate staff, and also spreading the workload reasonably evenly over the years. This would also facilitate compliance with the April 2005 CG Guidelines for EP MRs, incorporating a call for submission by the Centers, of proposed CCER plans to the CG Secretariat and the SC three years in prior to the scheduled EP MR dates.

In addition to these, there were four Investor Commissioned Reviews during this period for Board review in depth and necessary action.

## **6.2 Science Advisory Committee**

The discussion in Chapter 3 and 4 of the Report on the quality and content of research at the Center suggests the imperatives of appropriate and independent advice and counsel on these matters. As has been pointed out earlier, the Board guidance and monitoring on these issues are circumscribed by time availability and meeting frequencies, compounded by its commitment to other governance responsibilities. The Panel believes that the Center would benefit from a specialist body with appropriate science expertise and wider exposure, in its march towards achieving the ambitious goals it has set for itself.

Accordingly the Panel believes that the Center should constitute a Science Advisory Committee, reporting to the Board, but closely interacting with the executive science management in devising, critiquing, and evaluating the Center's science policies and strategies. The Board would thus have the benefit of the counsel of an independent expert science body to facilitate its own decision making process, and the executive will have the counsel of an independent external expert group of specialists, unfettered by Board responsibilities. This Committee will not replace the EPMRs and CCERs.

## **6.3 Board and the Executive**

The lines separating board role and executive responsibility are often quite thin; the best governed organizations are those that have found the golden mean between policy interventions and performance oversight on the one hand, and on the other, interference in, and micro-management of, day to day operations.

### **6.3.1 Executive Management**

The executive management of the Center is headed by the Director General, supported by a Senior Management Group that as of January 2006, included besides himself, the Deputy Director General, the Director of Science Coordination, an elected Discipline Director, and an elected Portfolio Director. The objectives of the SMG have been set out as follows:

1. To serve as the principal body within WorldFish for making strategic management decisions that will affect the long-term success of the organization;
2. To contribute to the effective leadership and management of WorldFish and ensure alignment of decisions with World Fish's mission, vision and values;
3. Through sound decision making to create and embed a sense of organizational direction, commitment and challenge;
4. To utilize analysis, knowledge, experience and sound judgement to make ethical and values-driven decisions that impact WorldFish staff, partners and others, and communicate these decisions to employees;
5. To ensure WorldFish operates effectively in an environment of change & ambiguity for the achievement of strategic objectives;
6. To ensure appropriate levels of management support and cross-unit coordination to bring institutional advantages to decentralized activities; and,
7. To link dispersed management knowledge, skills and best practices across the organization.

SMG meetings are to be held each month and will be restricted to one or two strategic issues upon which background papers will be tabled; the SMG also proposes to have a tentative schedule of key issues for discussion during the year.

A second level decision-support team such as the SMG has been in place at WorldFish virtually throughout the Review period, though designated differently, like the Executive Management Team or Senior Management Team. While supporting such an institutional set up, the Panel notes perhaps an unintended fallout is reflected in the Group's present composition that is entirely homogenous with respect to gender and ethnicity, and without representation to key functions such as finance and human resources. The Panel is informed that the Director General has had a number of consultations with the Head of CG's Gender and Diversity Unit concerning strategies for increasing diversity in senior management and research positions, and this is planned for discussions as a special strategic topic at the next Board meeting in March 2006. The problem is seen as reflecting a deeper and longer term issue of inadequate diversity in senior positions in the organization as a whole. The Panel notes the proactive initiatives towards finding a solution to this issue and suggests that efforts be continued to seek an enduring solution with guidance from the Board.

### **6.3.2 Organization Structure**

During the major part of the Review Period that is until late 2004 the organizational structure of the Center was as set out in Appendix 6.3-a.

The research organization was restructured in 2004 (Appendix 6.3-b) to bring about a matrix format that fostered cross-disciplinary work, and:

1. Offered clear, focused accountabilities of Portfolios (geographic priorities) and disciplines (global and programmatic priorities),
2. Enabled Portfolios to pursue coherent growth strategies within their geographical scope,
3. Charged Portfolios with the responsibility for pursuing opportunities and developing new projects, in collaboration with Business Development,
4. Enabled Disciplines to oversee staff and competency development, based on Portfolio needs,
5. Led to appropriate delegation to Discipline and Portfolio directors, and
6. The matrix management structure that WorldFish has adopted, while reportedly successful in many commercially driven organizations, has potentially its complexities in implementation especially in case of knowledge-worker-centric<sup>4</sup> institutions such as WorldFish. The Panel is assured that the model has been well accepted and being implemented, and is informed that in case of any unresolved issues, they would be mediated in joint consultation between the relevant parties and the Deputy Director General to whom the Portfolio Directors report, and the Director

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<sup>4</sup> It was the late Professor Peter Drucker who coined the expression knowledge worker, to mean employees in organizations whose primary inputs were of a cerebral and intellectual nature. He posited in his *Post Capitalist Society* (1991, Harper Business Publishers), that "knowledge is the only meaningful resource today", and that "knowledge is now also being applied systematically and purposefully to define what new knowledge is needed, whether it is feasible, and what has to be done to make knowledge effective." In this sense, the concept is eminently appropriate to scientific research institutions such as WorldFish



General to whom the Discipline Directors report. The Panel notes this arrangement and encourages the Center to actively follow the process so that conflicts if any are resolved equitably as they arise, not leaving the success of the system to the vagaries of personal relationships and equations among Discipline Directors and Portfolio Directors.

### **6.3.3 *The Director General and the Board***

There are three dimensions to evaluating the interface between the Board and the Director General: one, the process of identifying and recruiting the DG; two, the process of enabling the DG to perform his role as the executive head of the Center while concurrently countervailing potential concentration or abuse of such executive authority; and three, the process of evaluating the DG's performance against established and mutually agreed measures.

The period under review had two Directors General in office, the previous DG till early 2004, and the incumbent DG since then. Board minutes (Item 19.2) of the Trustees meeting on 25-26 February, 2004, records the selection of the new DG on the basis of a report by a Search Committee tabled for discussion at that meeting. This Committee of Trustees was assisted by an outside specialist hired for the purpose.

As for providing an enabling environment in which the DG could perform his role satisfactorily, the situation appears to have been, and continues to be satisfactory. The working relationship between the Board Chair and the DG, as evidenced by our observations during this review, seemed appropriate; it was also apparent that there was a measure of commonality of purpose in advancing governance and performance of the Center, with both the Board Chair and the DG being in the relatively earlier part of their tenure. There was a visible emphasis on organizational transformation with structures being modified (for example, the changeover to the matrix form of organization), information reporting regimes being improved (for example, an updated information reporting system), organizational culture and morale being revisited (for example, the One-Staff approach to staff integration, bringing nationally and internationally recruited employees on to a uniform platform), better data processing and access (for example, through introduction of SAP-ERP facilities despite their relatively high cost), and so on. That the DG is able to communicate purposefully and convincingly with the Trustees is also a factor that strengthens the feel-good environment in which the DG is not only encouraged but is also able to discharge his responsibilities at the required level of excellence. The flip side of such a situation is the potential for rigorous centralization of power and authority in a single individual; this is generally sought to be contained by developing a strong and competent second line of management that could counsel, and if required countervail the potential for power abuse. In the Senior Management Group, the Center has in place a structure to achieve this objective, and its independence of thought and expression need to be bolstered by the Board through visible evidence of recognition of their importance in the organizational structure. Participation of second and third level functionaries in Board deliberations when meeting in open sessions is a step in the right direction and needs to be persisted with.

The third element of the Board-Executive relationship concerns the performance evaluation of the DG. In WorldFish, this assessment process is handled by the Board Chair aided by consultations with other Trustees and staff of the Center. The Board also has the benefit of a 360 degrees evaluation, a self-performance report by the Director

General, and achievement of Key Performance Goals. The Board discusses the DG's performance in executive session; after this, the Chair has a one-to-one session with the DG communicating the results of the evaluation exercise. As the incumbent Chair and the DG are relatively new to their positions, a formal performance appraisal of the current DG is expected to be undertaken only in 2006. Five criteria for measuring the DG's 2005 performance, have, however, been agreed as follows: Organizational Performance, Organizational Performance Management System, Financial and Other Management Reporting, Management Performance, and Individual Performance. Assessment with respect to organizational performance, is based on achievement against targets for the WorldFish Key Performance Goals, consisting of a comprehensive set of quantitative targets that the organization is dedicated to achieving in a given year. The DG's contract of appointment however lists a larger number of 18 measurement criteria, but in practice, most of these might be covered under sub-sets of the five named measures. The Panel suggests that the Board consider if it would not be more appropriate for this evaluation process including discussions with the DG to be conducted by a Board Committee constituted for this purpose (comprising of the Chair and possibly two other senior Trustees including the Vice Chair), with undoubtedly the Board Chair providing the leadership. In making this suggestion, the Panel is alive to the fact that the Chief Executive is responsible to the Board of Trustees as a whole, and that the suggested process would help to further restate and reiterate this key concept underlying this relationship.

The Panel has also had the opportunity of reviewing the DG's performance appraisal processes and documentation in the earlier years of the Review period, and subject to the suggestion in 4.9.4 above, found them satisfactory.

#### **6.4 Panel Survey of Trustee Views**

In order to gauge the perceptions and views of individual Trustees on the WorldFish Board, the Panel addressed a Survey Questionnaire and sought their responses. The Panel record their grateful appreciation to the Trustees for their time and effort in providing these responses, which were all received in complete anonymity. Responses were received from twelve of the thirteen Trustees and are summarized in Appendix 6-4.

In several respects, the responses support the conclusions independently reached by the Panel. Principally, the results indicate strong agreement that:

- The Board size should be reduced to a number in the range of 6 to 10, instead of the present 13,
- Board skill-sets need improvement in the fields of financial appreciation, strategy validation, and Center's funding issues,
- Africa representation needs strengthening and South America needs to be represented,
- More Trustees should be women to further strengthen gender balance on the Board,
- More meetings of the Board and its Committees are required, and Committee meetings need not necessarily be held alongside Board meetings,
- Some Board and Committee meetings may be held through audio-video conferencing, and some of the meetings should be held at outreach locations,
- The Program Committee should be scrapped, with its functions being assumed by the full Board, and

- Participation and contribution of several Trustees at Board and Committee meetings require improvement.

## 6.5 Overall Strengths and Weaknesses

Overall, governance processes and institutions at WorldFish, while adequate in many respects, need strengthening in several areas to reach required levels of excellence in terms of international best practices. The Center should continue to foster and build upon existing strengths and seek to bridge existing gaps in this field. The Center's Board has trustees with considerable expertise in their fields of specialization and their commitment to the well being and enriching growth of the Center in the years ahead is abundantly in evidence. Many of the incumbent Trustees have contributed significantly in programmatic initiatives and enhancing the global visibility of WorldFish in countries where it mattered.

In the incumbent Board Chair, the Center has a person with leadership qualities and purposeful task orientation, both of which are critical to successful Board functioning and contribution. During the earlier period of our Review, the Center had strong Board chairs, who along with the then Board of Trustees steered the Center clear of serious problems and perhaps laid the foundations for some of the processes and institution-building initiatives.

The previous DG, has contributed significantly to key organization-building efforts, successfully managing the head quarters move from the Philippines to Malaysia and stabilizing the startup operations in Penang, besides of course being the Center's well-received ambassador within the CGIAR System. The Center's current Chief Executive brings to his job a business-oriented science-management perspective, is accessible to his staff, has strong motivational and persuasive skills, and has a vision and the professional drive to take the Center forward.

The picture, however, is not without its share of deficiencies. Board decision making in several key areas has been relatively slow: for example, implementation of some of the 2<sup>nd</sup> EPMP recommendations such as removing the ten-year ceiling on IRS took some four years. Despite recent decisions to draw down the reserves, the Center is still grappling with large reserves that actually need to be spent on its Programs (Chapter 7). Its research and publications output, partly affected by the headquarters shifting, is not in keeping with the expectations of a Center of excellence like WorldFish (See Chapter 4). Staff attrition is quite high, even as fresh recruitments are lagging behind (Chapter 7). The cost of governance is escalating to some 1.9% of estimated funding projected for 2006. Internal control and risk management, essential components of good governance, are just beginning to be tackled. Legal compliance and monitoring, important elements in Center reputation and protection of Trustees and executive management, are to be strengthened (Chapter 7).

The Board and Executive Management have their tasks cut out to raise governance levels to new heights so that the Mission of the Center could be achieved, and achieved speedily. The Panel's suggestions and recommendations are aimed at helping the Center towards accomplishing this challenging task.

In order to bring about greater cohesion, process improvements, trustee participation and contribution, and board-costs containment, and to enhance the quality of independent science support, *the Panel recommends that the Center's Board and Board Committees be restructured as follows (Appendix 6 - 5):*

*Reduce the Board size to not more than nine Trustees, including the ex officio Director General, Host Country representatives and the FAO nominee.*

Guidance:

- Ensure at all times that at least two amongst its number have accounting, financial, legal or strategic expertise that will be of value to the Board and the Center in the discharge of its fiduciary duties to its stakeholders.
- Quorum requirements for all Committee meetings shall be reckoned on the basis of participation personally or through audio-video conferencing.
- No Trustee including the Board Chair shall serve concurrently as a member of more than two Committees of the Board.
- The Board and its Committees should meet as often as considered necessary, and preferably at least four times during a year;
- Some of the meetings should be held at outreach locations and as appropriate the meetings may be held through audio-video conferencing;
- The Board or the Audit Committee agenda should be enhanced to include legal compliance and risk management oversight.

*Modify Board Committee Structure to retain the Audit Committee, the Nominating Committee, and the Executive Committee, and eliminate the Program Committee.*

Guidance:

Audit Committee of three or four of the Trustees including the *ex officio* voting members of the Board but excluding the Director General, with the Committee Chair being a person with adequate expertise in accounting and financial appreciation, The quorum for this Committee meetings shall be not less than two members, one whom at least shall have such expertise in accounting and financial appreciation.

Nominations Committee of three or four of the Trustees including the *ex officio* voting members of the Board but excluding the Director General, with the Committee Chair being a person with at least two years of experience as a Board member in WorldFish, and with a provision that the quorum for this committee meetings shall be not less than two members, one of whom at least shall have a minimum experience of two years of Board membership.

Executive Committee of four voting Trustees, of whom at least two with a minimum of two years experience as a WorldFish Trustee, at least one with expertise in accounting or financial matters; the Director General shall be a member *ex officio*, and the Board Chair will be the *ex officio* Chair of the Committee; the quorum for this Committee meetings shall be not less than two, one of whom shall always be the Director General.

*Include in the Center's Annual Reports a Report of the Trustees, discussed and approved by, and signed on behalf of, the Board, and Audited Financials, duly certified by the*

*Director General and the Chief Financial Officer, along with the Independent Auditors' Report.*

Guidance

The Annual Report should indicate the names of the Center's Independent Auditors. The financials should be certified by the Auditors, and the Audit Report on the financials (not any management letters) should be published as part of the Annual Report.

*Constitute a Science Advisory Committee of about four members with suitable qualifications and experience/expertise, with a member of the Board as the Committee Chair. The Committee will report to the Board, and the Committee Chair (or any other member other than the Director General should brief the Board at every meeting on its deliberations and advice.*

Guidance:

The Committee should be empowered to co-opt specialists as required, should advise, counsel and mentor executive management of the Center. Members of the Science Advisory Committee except its Chair, shall not be members of the Board of Trustees, they may act as advisors collectively or individually. The primary purpose of the Science Advisory Committee will be to provide independent expert advice and counsel to the Board and executive management on all science related issues

*Process expeditiously planning for CCERs on a five-year rolling time frame, to be updated each year, to obtain the best panelists with adequate advance notice, and spreading the workload evenly over the period. The CCER Panel Chairs should be requested to make the presentations to the Board on their Reports and Recommendations.*