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Enabling poor rural people
to overcome poverty

Progress Report on Implementation of the 2010 Programme of Work and the Change and Reform Agenda:

Towards a more Agile, Efficient and Effective Institution

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For: Information

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I. Introduction

1. IFAD's Change and Reform Agenda¹ aims at repositioning IFAD to deliver on its Eighth Replenishment (IFAD8) commitments. In addition to ensuring the efficient implementation of the agreed programme of work under the Eighth Replenishment, the Change and Reform Agenda includes measures to reform Human Resource policies and strengthen Human Resource (HR) management, build a robust financial operation, introduce a strengthened planning and budgeting system, expand IFAD's country presence, reduce IFAD's cost of operation, and reinforce IFAD's enterprise risk mitigation system.
2. This paper expands on the President's opening statement and presents the progress made in these key areas in the first half of 2010. The paper is organized to focus on (i) highlights of IFAD's operations in the first half of 2010, and (ii) progress in the implementation of IFAD's change and reform agenda. In addition, it presents the outcome of the Enterprise Risk Management by the Joint Inspection Unit of the United Nations.

II. Highlights of the Corporate Performance Report, Jan-Jun 2010

3. With the objective of tracking achievement against targets agreed in the IFAD8, IFAD reports on its Results Measurement Framework on quarterly basis. Highlights for the first half of 2010 are given in Table 1.

Table 1. Highlight of IFAD's Performance, January-June 2010

Performance Area	Performance Measure
Project Approvals	In the first half of 2010, \$266.5 million of loans and grants were approved, up by 39% from first half of 2009.
Cofinancing Ratio	In the first half of 2010, IFAD's cofinancing ratio stood at 1:1.13, measuring well against IFAD's cofinancing target ratio of 1:1.5 agreed in the IFAD8.
Portfolio size	In the first half of 2010, IFAD portfolio totaled \$4.56 billion, with 258 projects under implementation, up by 4.5% from the number of projects in implementation in 2009.
Implementation of the New Operating Model	92% of the total number of projects is directly supervised by IFAD and 70% have received a review mission in 2010.
Project design	Project design has improved, with the projects rated moderately satisfactory or better in the area of "sustainability" having increased in the first half of 2010 to 90% from the baseline of 84%.
Portfolio Management	In the first half of 2010, project disbursements increased by 6.2% from the first half of 2009; the average time from project approval to the first disbursement reduced from the baseline 21 months (2008) to 19.7 months, moving toward the target of 14 months; and the average time of processing a withdrawal application reduced to 18 days, considerably lower than 30 days in the first half of 2009.

¹ EB/2010/99/R.31/Rev.1

Performance Area	Performance Measure
Country Presence: IFAD Country Offices	29 IFAD country offices (ICOs) are operational and 9 operate under a Host Country Agreement.
Policy Approvals	In the first half of 2010, the Executive Board approved IFAD's Climate Change Strategy.
Staffing for the Programme of Work	PMD employs 61% of the entire IFAD workforce.
Policy Dialogue	IFAD participated, for the first time, in the Davos meeting of the World Economic Forum (WEF); IFAD's President has been invited to chair WEF Global Agenda Council on Food Security in 2010, offering an excellent opportunity for IFAD to advocate the importance of agriculture and rural development.
Governing Bodies	The 2010 Governing Council, the first held on IFAD premises, yielded significant savings of around \$200,000 for IFAD and €200,000 for the Government of Italy.

III. Progress in the Implementation of IFAD Change and Reform Agenda, Jan – Jun 2010

4. A successful implementation of the IFAD8 depends on effective and efficient management of IFAD's resources. Under IFAD's Change and Reform agenda, the Management has undertaken the following actions:
- (i) **External review of IFAD's compensation and benefits package:** In response to a request of the Executive Board in December 2009,² IFAD has engaged an international HR consultancy firm (Birches Umea) to conduct an external review of IFAD's staff salaries and entitlements. The results and recommendations of the study will be shared with the EB in December 2010.
 - (ii) **Review of HR Policy and Implementation:** HR Policy approved by the EB in 2005 is implemented through HR Procedures Manual (HRPM). To ensure consistency with best practices, the Management has introduced Staff Rules, which guide the review of the HRPM. IFAD is undertaking a full review of the HRPM, a process which is conducted through an institute-wide consultation. The revised HRPM will be released at the end of 2010 and made effective in January 2011.
 - (iii) **Strengthening HR platform for country offices:** With expansion of IFAD's country presence, IFAD has aligned staff entitlements in the field with those of the United Nations, and has issued 16 IFAD's contracts to replace those of the host entities for IFAD staff. By the end of the year 2010, all IFAD staff in ICOs will have IFAD contracts.
 - (iv) **Second phase of the Voluntary Separation Programme (VSP-2):** In designing the second phase, the Management has been guided by lessons from the first phase and will use the VSP-2 to closely target the current and future skills requirements of the Institution. With the framework for VSP-2 approved, VSP-2 will be implemented within the year.

² During its 97th session held in 2009, the Executive Board, noted the following: "To better align staff incentives with the institutional performance by September 2011, the Management undertook to present the December Executive Board with an approach paper for an external assessment of human resource management, which would examine (a) results based incentive system, and (b) compensation and entitlement system (ICSC), including the desirability and feasibility of adopting alternatives, particularly the financial and systems implications.

- (v) **Medium Term Plan (MTP):** IFAD has completed its first ever Medium-term Plan 2010-2012, which remains 'work in progress' and will incorporate resource inputs in the final version of the MTP in December 2010.
 - (vi) **Strategic Workforce Plan (SWP):** For the first time ever, IFAD is preparing a comprehensive SWP, which enables a critical assessment of the skill-mix and the business needs of the Institution. The SWP will guide staff management and recruitment and will be a critical tool to ensure alignment of staff with strategic priorities.
 - (vii) **Zero-Based Budgeting (ZBB):** Also, for the first time, IFAD is examining its administrative budget allocations using zero-based budgeting approach to align resources with strategic objectives.
 - (viii) **External review of IFAD's Financial Operations:** At the request of the President, IFAD has engaged an international management consultancy firm (Accenture Switzerland) to conduct an external review of its financial operations. The study will be completed by year end and will guide IFAD in ensuring that financial resources are managed prudently and that the required mitigation measures to reduce risks are in place.
 - (ix) **Strengthening HR management:** Under the reconfiguration of the Management Responsibilities and Reporting Arrangements (Dec 2009), the HR function was elevated to the purview of the Vice-President. This enabled Management to focus on strengthening the HR function through a series of measures, including implementation of a Strategic Workforce Plan for the Division. In engaging a professional HR Director, IFAD competes with other international agencies, with several other agencies recruiting concurrently for the same position, making this very challenging. While interim arrangements have been put in place for an effective management of the division, including engagement of a highly qualified consultant and the recent appointment of a staff as an Officer in Charge, IFAD Management acknowledges that these measures are less than ideal. Vice President of IFAD has visited the United Kingdom Department for International Development (DFID) to, among others, discuss HR reform. IFAD Management will continue to keep the Executive Board updated on progress.
5. Under the Change and Reform agenda, IFAD President is committed to reducing administrative expenditures. Towards this end, Management has reviewed the various elements of staff costs, which represent the biggest expenditure item in IFAD's budget, and has identified several cost-cutting measures, listed in Table 2 below. The estimated annual cost reduction is nearly \$3.5 million.
 6. Management fully recognizes the need for more tangible and concrete shifts in budgets and costs towards clusters 1 and 2. Sixty-one per cent of our budget is staff costs (salaries and benefits), which is why the external review results referred to in paragraph 4(i) will be extremely important. The challenge for IFAD will be to prepare, with the Board's support, a robust, but realistic implementation plan arising from the recommendations of the report in order to significantly adjust its staffing structure, without negatively impacting on its operations and corporate integrity.

Table 2: Estimated Savings from Changes to Staff Entitlements and Benefits

	Item	Saving
Staff Compensation Plan	Termination of staff compensation plan, except for death related entitlements (grand-fathered in 2008), providing an option for voluntary staff participation at their cost	\$1.32 million
Items in staff compensation package not prescribed by ICSC	Abolition of compensatory time and overtime for general service staff on mission travel status - except when worked on IFAD official holidays	\$0.04 million
	Abolition of compensatory time for professional staff working five hours overtime per week (excluding exceptional circumstances)	\$0.17 million
	Abolition of the service differential compensation	\$0.04 million
	Change of basis for payment of accrued annual leave on separation by excluding post adjustment and using only net base salary	\$0.09 million
	Change in granting termination indemnity and limiting this to 12 months of net base salary for 15 or more years of service	Annual cost reduction will vary according to no. of annual separations
	Staff members enrolled in IFAD's subsidized language programmes are charged for non-attendance at classes	To be determined
Travel related benefits	Change in duration of official staff travel by business and economy class for all mission and other travel	\$0.19 million
	Abolition of the 10% DSA supplement	\$0.33 million
	Change in consultants' travel to economy class for all mission and other travel	\$0.97 million
	Change in lump sum (80% of economy class tickets) for all home leave travel for all staff	\$0.17 million
	Abolition of unaccompanied baggage on home leave and family visits	\$0.07 million
	Abolition of full removal of household goods - except for staff on contracts prior to 20 April 2010 and instead use only shipment of personal effects.	\$0.06 million
Total Estimated Annual Savings		3.5 million

IV. Review of the Enterprise Risk Management

- In 2010, the Joint Inspection Unit (JIU) of the United Nations conducted a multi-agency review of the Enterprise Risk Management (ERM) policies and experience in the United Nations system to identify best practices and lessons learned. The study team visited IFAD in January 2010, and in its July 2010 draft report 'Review of Enterprise Risk Management in the UN system: Benchmarking framework', identified IFAD as an 'emerging pioneer' in ERM. Several references are made in the report to IFAD's practices in the area of risk, including IFAD's ERM governance model.

VI. Conclusion

8. The progress in the first half of 2010, particularly demonstrated by an increased project approvals, improved portfolio management, and greater visibility of IFAD in the global arena provides a record of IFAD's growing capacity to deliver on the expanded programme of work. IFAD is, concurrently, streamlining its functions and internal policies making it a more agile, efficient and effective institution and thus more able to focus on its distinct role to deliver targeted development assistance to the rural poor women and men.
9. IFAD has prepared a comprehensive presentation of its corporate operations in its first ever *Medium-Term Plan 2010-2012: Progress Report*, providing a rolling plan for the implementation of IFAD's commitments, including its expanded programme of work at \$3 billion. The MTP also lays out the main elements of the Change and Reform Agenda, over the three year period from 2010-2012.
10. While much work remains to be done in critical areas such as human and financial resource management, encouraging progress is being made such as the far-reaching external reviews of its staff remuneration system, as requested by the Executive Board, which will lay a sound basis for far reaching reforms. In addition the on-going review of its financial operations will lay the basis for a more robust management of IFAD's financial resources. to ensure that any risks to its assets are diligently mitigated and that IFAD develops a robust resource management system.
11. IFAD's management is committed to rigorous implementation of its Change and Reform agenda and the measurement of progress under its performance management system. A fuller report on the progress made will be presented to the December 2010 Board.