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Investing in rural people

Information Note Operational Excellence for Results (OpEx) Exercise

Note to Executive Board representatives

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Information Note: Operational Excellence for Results (OpEx) Exercise

I. Introduction

1. The Report of the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11) highlights that of the 836 million people living in extreme poverty and the 815 million experiencing food insecurity, three quarters live in rural areas and most depend on agriculture for their livelihoods. The agricultural sector and development of rural areas are essential for delivering on the 2030 Agenda for Sustainable Development. Leaving no one behind – the ambition that cuts across the 2030 Agenda – is central to IFAD's mandate of promoting inclusive and sustainable rural transformation. In order to meet the significant demands of the 2030 Agenda, IFAD needs to have the operational capacity to scale up its impact and achieve sustainable results.
2. Since last year, IFAD has embarked on a comprehensive programme of reforms aimed at strengthening its capacity to deliver across a range of the Sustainable Development Goals (SDGs), particularly SDG1 (ending poverty in all its forms) and SDG2 (ending hunger, achieving food security and improving nutrition) in rural areas. These reforms are aligned with the proposals of the Secretary-General's report on repositioning the United Nations Development System (UNDS) and will make IFAD an even more relevant, effective and efficient player within the system.
3. To do this, Management commenced a comprehensive exercise entitled Operational Excellence for Results (OpEx) in June 2017 with the aim of establishing IFAD as a recognized best-in-class performer across the entire spectrum of operations. These reform efforts focus primarily on the following strategic areas of business model enhancements endorsed during the IFAD11 Consultation process:
 - (i) Re-engineered country-based model
 - (ii) Headquarters that is fit-for-purpose
 - (iii) More delegation to the frontlines
 - (iv) Recalibrated business processes
4. An OpEx task team made up of both internal staff and external consultancy resources was set up to support this effort, and a one-time OpEx budget was approved by the Governing Council in February 2018. The OpEx exercise has adopted a participatory approach involving consultations with a broad cross section of staff, ranging from smaller technical working groups focused on specific items to all-staff interactive events.
5. An initial update on IFAD's reform progress was presented to the Executive Board in September 2017, which provided details on the process, principles to be adopted and emerging issues. The objective of this document is to provide a further update on progress and to clarify where the OpEx reforms are leading.
6. The document is structured as follows: a brief update on progress made with regard to each of the four areas of focus of the business model enhancement efforts; proposed next steps in other OpEx work streams outside of the above areas; an update on key performance indicators; an overview of OpEx budget utilization; and an outline of the key risks associated with the process.

II. Key focus areas

Re-engineered country-based model

7. Re-engineering the country-based model through greater decentralization is a key part of IFAD's goal to maximize its contribution to the 2030 Agenda. The closer the

organization becomes to the rural areas it serves, the more engaged it can be in policy dialogue and partnership-building. This will ensure that IFAD is better placed to strengthen country programming and improve project performance through continuous implementation support and leverage its core resources with other entities (government, other agencies, the private sector, etc.) to embed IFAD operations in national strategies.

8. In this strategic area, the OpEx exercise has concentrated on the following actions:
- (i) Using an objective metrics-based approach, and after extensive internal consultations with staff focus groups, all directors and Senior Management, a decentralized map (see annex I) was finalized and shared internally with staff in January 2018. The map includes 40 IFAD Country Offices (ICO) across the five regional divisions. Of the total of 40 ICOs, 12 are hubs and 3 are South-South and Triangular Cooperation (SSTC) and knowledge centres (KC).
 - (ii) The 2018 approved budget increased "fire power" on the ground, as it increased the number of country directors/country programme managers (CPMs), and technical, procurement and national staff positions within IFAD. The result will be a shift in the percentage of staff in the field as a share of total staff from 15 per cent to 27 per cent. The increase in field staff will be offset by reductions in staff positions at headquarters as some functions are being transferred to ICOs.
 - (iii) In January 2018, the job profiles of the new country director role were completed. These new profiles place a stronger focus on policy dialogue and partnerships as opposed to a primary focus on programmatic matters. The job profiles also address the need for greater delegation of authority, for which updated procedures and training will follow in due course.
 - (iv) A new procedure was introduced in January 2018 to commence a reassignment exercise to ensure appropriate staffing across the 40 ICOs. To support this process, the Human Resources Division (HRD) held individual meetings with staff members as needed and attended divisional meetings. Two all-staff events were also held by HRD and the OpEx team to present information and to respond to questions. In addition, written responses were prepared to address questions raised by the Executive Committee of the Staff Association (ECSA) on behalf of staff and were shared with the entire organization. A committee comprising an external chair, senior managers and an ECSA observer was set up to oversee the reassignment exercise. In the first wave of reassignment, 64 internationally recruited country programme positions were selected for reassignment. The staff filling these positions were offered the opportunity to choose their three preferences from the list of 64 positions identified for reassignment to ICOs. In making its recommendations to the President, the committee took into account these preferences to the extent possible. Affected staff were notified of the reassignment decisions on 21 March. The process is expected to be finalized in April.
 - (v) IFAD's goal is to perform a second wave of reassignments as soon as possible, to allow technical staff also to be reassigned during 2018. Under the second wave, 25 operational, financial and technical staff will be reassigned to specific hubs to ensure that a critical mass of programmatic and technical staff are placed where they can make the most impact. To ensure that a strong headquarters is also in place, a cadre of global technical specialists will remain in Rome to act as anchors for technical expertise.
 - (vi) The Field Support Unit, in coordination with the Office of the General Counsel, is working on identifying new country offices and upgrading current ones and on finalizing host country agreements to ensure that appropriate premises and facilities are available for the staff who will be reassigned during 2018.

- (vii) Management is devising a capacity-building plan to provide staff with the necessary tools, training, support and incentives to implement the roll-out of decentralization successfully, including its change management aspects.

Making headquarters fit-for-purpose

9. With greater decentralization comes the increasing need for a strong centre to ensure that clear strategic direction is communicated and appropriate feedback and monitoring processes are in place. Global knowledge and lessons must be embedded in the design and implementation of projects and lessons learned from IFAD's experience on the ground must be systematically drawn for both governments and the development community. Headquarters must facilitate this knowledge flow and provide visibility for IFAD activities.
10. The work in this area focused on ensuring that: (i) delivery teams in the field are organized to enable country directors to perform both programmatic and emerging non-lending activities; (ii) knowledge management processes are in place to mitigate the risk of silos forming across different geographic locations and (iii) appropriate arm's length checks and balances and monitoring processes are implemented.
11. The design work on the operational realignment has been completed and formalized in a reorganization exercise and a new organizational chart has been issued, effective as of 1 April (see annex II). The key changes are as follows:
 - (i) Operations have been strengthened by realigning technical support functions within a reconfigured Strategy and Knowledge Department (SKD). Specifically, two new technical SKD divisions have been created: (i) the Environment, Climate, Gender and Social Inclusion Division (ECG), which will focus on mainstreaming cross-cutting themes (i.e. climate, youth, gender and nutrition) and indigenous peoples' issues; and (ii) the Sustainable Production, Markets and Institutions Division (PMI) for technical support.
 - (ii) Technical support to projects has been strengthened by mapping technical staff in areas of highest demand to the regions and giving them responsibility for ensuring the technical quality of IFAD's operations. Regionally mapped staff in PMI, ECG and the Financial Management Division will have dual reporting lines – i.e. both to their Director and to the respective Regional Director – and will be placed in specific hubs across the five IFAD regions.
 - (iii) An Operational Policy and Results Division has been established to oversee operational policies, procedures, training, compliance performance and results. It will also manage IFAD's self-evaluation architecture and the allocation system, and coordinate the drive for enhanced transparency and reporting.
 - (iv) An External Relations and Governance Department (ERG) has been created to consolidate external relations, including governance relationships, global engagement and multilateral relations, South-South and Triangular Cooperation and Rome-based agency collaboration. The department will comprise the Communications Division (COM), the Office of the Secretary (SEC), the Office of Partnership and Resource Mobilization and a new Global Engagement and Multilateral Relations Division (GEM).
 - (v) Headquarters and field security functions have been merged into a single unit reporting to the Administrative Services Division to consolidate security services into one functional area.
 - (vi) The annual corporate planning process has been consolidated with the annual budgeting process within the Budget and Organizational Development Office.

More delegation to the frontlines

12. For decentralization to be effective, it must be accompanied by the appropriate delegation of authority (DoA) and associated accountability. Transferring more responsibility for portfolio and relationship management to the staff who are best placed to do so on the ground will enhance project performance and overall efficiency.
13. Under IFAD11, Management has committed to revising the DoA framework. An overview of how this is expected to unfold is provided below:
 - (i) Work has commenced on revising the existing delegation of authority framework to devolve greater responsibility from Senior Management to lower levels of management, including greater delegation of authority to ICOs. Work to date has focused on operations, but the aim is to have a revised delegation of authority framework documented for all areas (i.e. both operational and non-operational) by the end of September. This timeline will allow for the formulation of a comprehensive DoA framework with a cascade of authority by level of seniority.
 - (ii) In tandem with the above, the OpEx team has reached out to outposted country directors/CPMs to identify the immediate high-priority items that require delegation in light of increased decentralization. These responses are currently being collated with the goal of revising the delegation of authority for these high-priority items, while a complete revision of the entire delegation of authority framework is under way.
 - (iii) After September, the focus will be on implementing appropriate checks and balances within core IT systems to ensure that the delegation of authority can be monitored by Senior Management. This is expected to take place from September to mid-2019.

Recalibrating business processes

14. Adjusting IFAD's structure through decentralization and refitting headquarters for purpose must be accompanied by updated business processes to improve efficiency and effectiveness. Adjusting processes and matching them to the new IFAD structure will allow IFAD to meet IFAD11 commitments and achieve the targets set in the IFAD11 Results Management Framework (RMF).
15. Work on recalibrating business processes commenced in March 2018. The initial focus is on core project design processes because a key element of IFAD's overall operational capacity is its ability to deliver high-quality projects swiftly. Currently, the average timespan between project concept and Board approval is 17 months, and from project approval to first disbursement, a further 17 months. As part of IFAD11, Management has committed to reducing these periods to 8 and 12 months, respectively.
16. The OpEx work in this area builds on an internal review of the project design process carried out within IFAD during 2017 on this specific area. The key emerging themes identified to date are the need to:
 - (i) Ensure that substantive technical inputs generated during the quality enhancement and quality assurance processes are fed much earlier into the design review process;
 - (ii) Ensure that the in-country project team is engaged at an early stage of the design process;
 - (iii) Eliminate duplication of steps within the design process and adopt a differentiated project review process based on risk, complexity and amount;

- (iv) Ensure that the design report has a stronger focus on implementation readiness (e.g. preparation of the project implementation manual and annual workplan and budget).

17. In addition to the above measures, Management will focus on ensuring that the Faster Implementation for Project Start-up Facility and new instruments to speed up project implementation are fully operational.

III. Next steps on other OpEx work streams

18. OpEx has prioritized activities that are at the core of IFAD's business by taking as the logical starting point IFAD's interaction with country partners and its programme of work to ensure improved delivery. However, in addition to the priority areas noted above, the following key work streams are planned for 2018 as part of the OpEx exercise:
 - (i) Reviewing the key non-operational areas (i.e. the Corporate Services Department [CSD], Corporate Services Support Group [CSSG] and elements of ERG) and streamlining associated business processes;
 - (ii) Reviewing and streamlining decision-making structures and committees across the organization; and
 - (iii) Reviewing approaches to embed continuous improvement and renewal within the organization.

IV. Key performance indicators

19. OpEx activities are designed to ensure success in IFAD11 and beyond. It is therefore critical to be able to gauge the success of the reform in terms of instilling a culture of results and the link to longer-term objectives.
20. Management is committed to tracking the results of actions taken under the reform agenda, in terms of tangible and measurable improvements, through the use of suitable key performance indicators (KPIs). Indeed, the importance of identifying KPIs to assess the progress of the OpEx exercise was highlighted during the informal seminar of the Executive Board held in October 2017 and again at the December 2017 session of the Executive Board. As a result, Management has prepared a high-level results chain linking reform activities and outputs to IFAD11 commitments and the RMF (see annex IV).

V. Budget usage

21. As part of the 2018 budget, a one-time budget and capital budget totalling US\$9.65 million was approved for the OpEx exercise. This budget was requested for the following: establishment of new ICOs and upgrade of existing ICO facilities to support a larger decentralized staff complement; provision for the one-off increase due to staff reassignment to ICOs over and above the normal recruitment/relocation budget; provision for backfilling of staff working on the OpEx exercise; external consultants with expertise in reorganization and change management within international financial institutions; staff training; voluntary separation costs; and capital costs associated with IT system enhancements.
22. A summary of the budget and its current utilization is set out in annex III. It should be noted that the current utilization rate is low with the exception of staff backfill. The low level of utilization reflects the fact that specific plans (including costing implications) are being worked on in the following areas for review by Management:
 - A plan for the set-up and upgrade of offices for all 40 ICO sites. Currently, the utilization reflects the upgrade costs incurred so far for two sites (i.e. India and Brazil);

- An overarching plan for capacity-building and training needs (including change management training);
- System enhancements required to support the delegation of authority for high-priority items. Other system requirements will be costed when functional requirements are specified.

VI. Risks

23. The key risks of the OpEx exercise and mitigating actions have been identified and are shown below.

Risk	Mitigating action
(a) Business continuity risk due to disruption arising from the extent of the changes being implemented. Specifically, the capacity to continue delivering the programme of work during the change process is a risk.	<ul style="list-style-type: none"> • IFAD11 commitments and the RMF tracking system have been put in place and will be monitored actively by the Executive Management Committee. • Specific review meetings on project pipeline. • Focused training for staff on new business model (e.g. roles and business processes)
(b) Ensuring staff buy-in with respect to the overall objective of the exercise is key to its successful outcome. Without staff buy-in the reform agenda will not result in increased operational capacity.	<ul style="list-style-type: none"> • Strong leadership from Senior Management, particularly in terms of communicating vision and need for change. • Ensure that staff are involved in all aspects of the exercise (through all-staff events, participation in focus groups to review specific technical areas, etc.).
(c) The risk of not meeting the extensive demand for communication flows in relation to the IFAD reform agenda may undermine the outcome of the exercise.	<ul style="list-style-type: none"> • Dedicated communications support has been provided to the OpEx team. • A communication strategy has been devised and put in place.
(d) Failure to achieve the correct balance between speed of implementation and the realization of the needed transformational and cultural change.	<ul style="list-style-type: none"> • Constant monitoring to ensure that the correct balance is being achieved.

List of 40 ICOs on decentralized map

Division	Hub	No.	Location	ICO led by:	Planned size of office
APR	Mekong Hub (Hanoi)	1	Viet Nam	Head of Hub/CD	6-10 staff
		2	Cambodia	CPO	1-5 staff
		3	Philippines	CPM	1-5 staff
	South Asia Hub (Delhi)	4	India	Head of Hub/CD	11-15 staff
		5	Nepal	CPO	1-5 staff
6		Bangladesh	CD	1-5 staff	
South-East Asia & Pacific Hub (Jakarta)	7	Indonesia	Head of Hub/CD	6-10 staff	
East Asia Regional SSTC & Knowledge Centre (Beijing)	8	China	Head of SSTC & KC/CD	1-5 staff	
	9	Pakistan	CD	1-5 staff	
ESA	Eastern Africa & Indian Ocean Hub (Nairobi)	10	Kenya	Head of Hub/CD	16-20 staff
		11	Madagascar	CPO	1-5 staff
		12	Uganda	CPO	1-5 staff
		13	Burundi	CPO	1-5 staff
		14	Rwanda	CPO	1-5 staff
15	Tanzania	CPM	1-5 staff		
Southern Africa Hub (Pretoria)	16	South Africa	Head of Hub/CD	6-10 staff	
	17	Mozambique	CPO	1-5 staff	
	18	Zambia	CPO	1-5 staff	
African Union Regional SSTC & Knowledge Centre (Addis Ababa)	19	Ethiopia	Head of SSTC & KC/CD	1-5 staff	
LAC	Andean & Southern Cone Hub (Lima)	20	Peru	Head of Hub/CD	11-15 staff
		21	Plurinational State of Bolivia	CPM	1-5 staff
	Mesoamerican & Caribbean Hub (Panama City)	22	Panama	Head of Hub/CD	11-15 staff
		23	Haiti	CPO	1-5 staff
		24	Guatemala	CPM	1-5 staff
Brazil Regional SSTC & Knowledge Centre (Brasilia)	25	Brazil	Head of SSTC & KC/CD	6-10 staff	
NEN	North Africa & Middle East Hub (Cairo)	26	Egypt	Head of Hub/CD	11-15 staff
		27	Sudan	CD	1-5 staff
	Central Asia & Eastern Europe Hub (Istanbul)	28	Turkey	Head of Hub/CD	11-15 staff
	IFAD HQ (Rome)	29	Morocco	CPO	1-5 staff
WCA	West Africa Hub (Dakar)	30	Senegal	Head of Hub/CD	11-15 staff
		31	Mali	CPO	1-5 staff
		32	Guinea	CPO	1-5 staff
	Coastal Hub (Abidjan)	33	Côte d'Ivoire	Head of Hub/CD	11-15 staff
		34	Sierra Leone	CPO	1-5 staff
		35	Burkina Faso	CPO	1-5 staff
		36	Niger	CPO	1-5 staff
		37	Ghana	CD	1-5 staff
38	Nigeria	CD	1-5 staff		
Central Africa Hub (Yaoundé)	39	Cameroon	Head of Hub/CD	6-10 staff	
40	Democratic Republic of the Congo	CPM	1-5 staff		

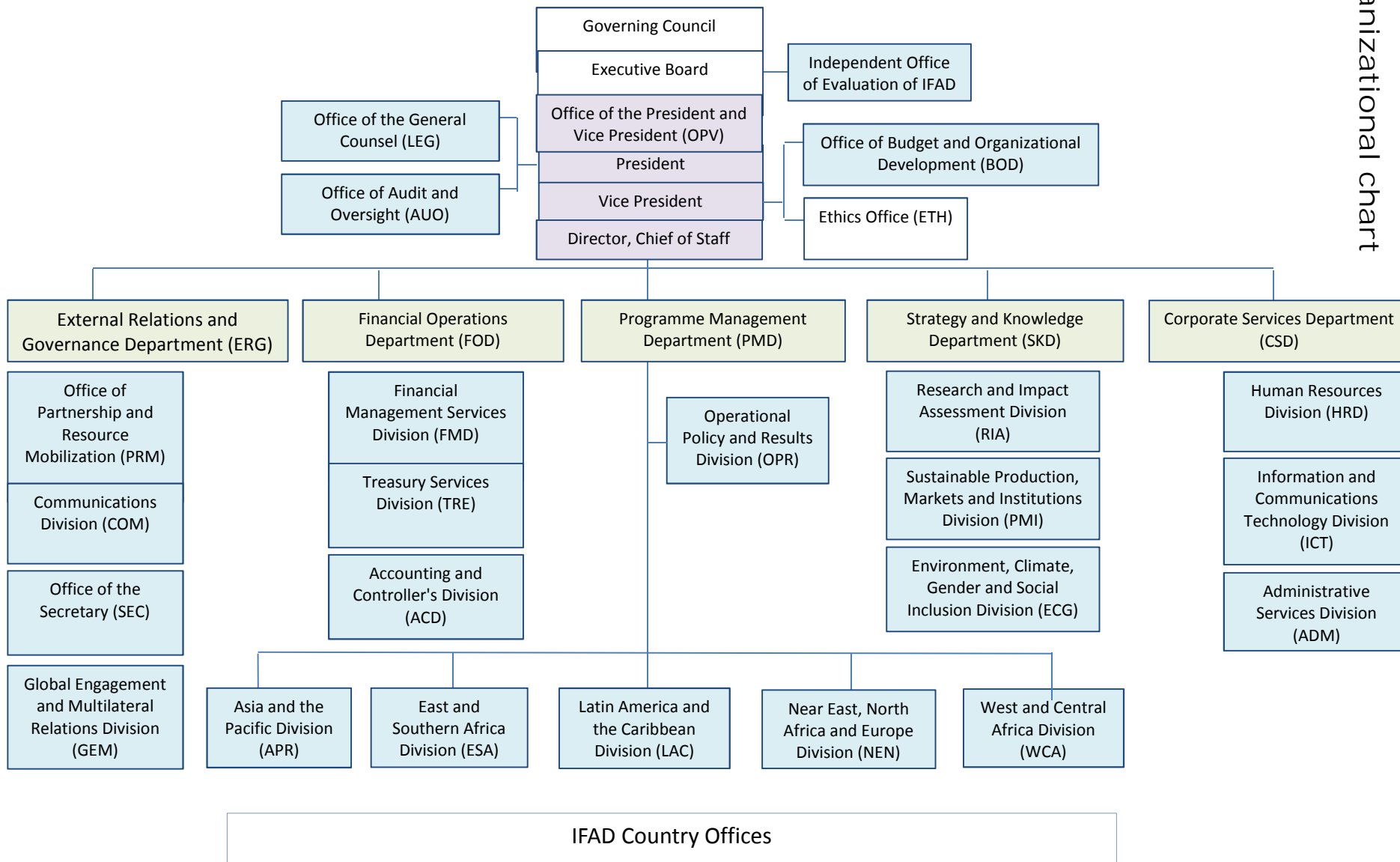
Key:

CD: country director

CPM: country programme manager

CPO: country programme officer

Organizational chart



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One-time adjustment and capital budget for OpEx

(Millions of United States dollars)	Budgeted phasing			Utilization
	Total	2018	2019	As at 31/3/18
I. ONE-TIME ADJUSTMENT BUDGET				
A. Accelerated decentralization				
Staff outposting costs	1.05	0.75	0.30	-
Upgrading and establishment of ICOs	1.45	1.15	0.30	0.10
B. Results and organization optimization activities				
Business process and functional analysis	0.50	0.50	-	0.07
Organization and change management expertise	0.75	0.50	0.25	0.03
Backfilling of staff working on OpEx project	1.00	0.65	0.35	0.15
Training	0.35	0.15	0.20	-
C. Voluntary separation programme	1.50	0.50	1.00	-
Total one-time adjustment expenditures	6.60	4.20	2.40	0.35
II. ONE-TIME CAPITAL BUDGET (for IT SYSTEM ENHANCEMENTS)				
Reconfigure ERP system to support decentralization	1.55	1.00	0.55	-
Infrastructure set-up and upgrading at ICOs/hubs	0.50	0.30	0.20	-
Additional software to support PMD decentralization	0.25	0.25	0.00	-
Automated procurement approval	0.10	0.10	0	-
Disbursement tracking and reporting systems	0.30	0.20	0.10	-
Corporate results reporting	0.35	0.20	0.15	-
Total one-time capital budget	3.05	2.05	1.00	-
Total of one-time adjustment and capital budget	9.65	6.25	3.40	0.35

OpEx Results Chain

Activities	Outputs	Intermediate Outcomes (IFAD11 RMF)		Outcomes	Impact
<p style="text-align: center;">2018-2019</p>		<p style="text-align: center;">2020-2021</p>			
<p>Re-engineered country-based model</p>	<ul style="list-style-type: none"> • 12 Hubs, 3 SSTC/KC and 40 ICOs established and running • Staff reassignment to hubs and ICOs completed • Job profiles of Country Directors, completed 	<ul style="list-style-type: none"> • Time from project concept to EB approval (from 17 to 8 months by 2021) • Time from project approval to first disbursement (from 17 to 12 months by 2021) • Disbursement ratio (from 16.7 to 17 by 2021) • Percentage of problem projects (from 22 to 15 by 2021) • Ratio of budgeted staff positions in IFAD Country Offices (ICOs)/regional hub • Percentage of IFAD's investment projects managed by ICOs/regional hubs • Percentage of supervision/implementation support budget used through ICOs/regional hubs 		<p>Consistently higher-quality and sustainable country programmes and projects</p> <ul style="list-style-type: none"> • Overall rating for quality of project design • RMF Tier II Development Results indicators • RMF Tier III Performance of country programmes indicators <p><i>Transforming resources into development results (IFAD11 BM), Effectiveness & Equity (Value-for-money [VfM])</i></p> <p>Expanded programme of work</p> <ul style="list-style-type: none"> • POW (from USD 7 billion to USD 7.7 billion by 2021) <p><i>Resource mobilization (IFAD11 BM), Effectiveness & Equity (VfM)</i></p>	<p>IFAD scales up its impact and contribution to Agenda 2030</p> <p><i>Transforming resources into development results (IFAD11 BM), Effectiveness & Equity (VfM)</i></p>
<p>More delegation to frontlines</p>	<ul style="list-style-type: none"> • Revised delegation of authority fully operational • Checks and balances embedded in core IT systems 				
<p>Making HQ fit for purpose</p>	<ul style="list-style-type: none"> • Realigned organizational structure is fully operational • Job profiles of Technical Leads, Regional environment and climate specialists, Gender national officer positions, etc. completed 				
<p>Recalibrating business processes</p>	<ul style="list-style-type: none"> • Streamlined design process fully operational • Faster Implementation for Project Start-up fully operational • Instruments to enhance project implementation speed fully operational 				