Information Note - Operational Excellence For Results (OpEx) Exercise

Note to Executive Board representatives

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADM</td>
<td>Administrative Services Division</td>
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<tr>
<td>AVP</td>
<td>Associate Vice-President</td>
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<td>BOD</td>
<td>Office of Budget and Organizational Development</td>
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<td>CDI</td>
<td>Change, Delivery and Innovations Unit</td>
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<tr>
<td>CPM</td>
<td>country programme manager</td>
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<td>DoA</td>
<td>delegation of authority</td>
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<tr>
<td>ECD</td>
<td>Environment, Climate, Gender and Social Inclusion Division</td>
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<tr>
<td>ERG</td>
<td>External Relations and Governance Department</td>
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<tr>
<td>FMD</td>
<td>Financial Management Services Division</td>
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<td>FSU</td>
<td>Field Support Unit</td>
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<td>GEM</td>
<td>Global Engagement and Multilateral Relations Division</td>
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<td>GS</td>
<td>General Service</td>
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<td>HRD</td>
<td>Human Resources Division</td>
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<tr>
<td>ICO</td>
<td>IFAD Country Office</td>
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<tr>
<td>IFI</td>
<td>international financial institution</td>
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<tr>
<td>KM</td>
<td>knowledge management</td>
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<tr>
<td>OpEx</td>
<td>Operational Excellence for Results</td>
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<tr>
<td>OPR</td>
<td>Operational Policy and Results Division</td>
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<tr>
<td>OPV</td>
<td>Office of the President and Vice-President</td>
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<tr>
<td>PCN</td>
<td>project concept note</td>
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<tr>
<td>PoLG</td>
<td>programme of loans and grants</td>
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<tr>
<td>PMD</td>
<td>Programme Management Department</td>
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<td>PMI</td>
<td>Sustainable Production, Markets and Institutions Division</td>
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<tr>
<td>QAG</td>
<td>Quality Assurance Group</td>
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<tr>
<td>RIA</td>
<td>Research and Impact Assessment Division</td>
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<tr>
<td>SKD</td>
<td>Strategy and Knowledge Department</td>
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<tr>
<td>SSTC</td>
<td>South-South and Triangular Cooperation</td>
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Information Note: Operational Excellence For Results (OpEx) Exercise

I. Introduction

1. The Consultation on the Eleventh Replenishment of IFAD’s Resources (IFAD11), which concluded in February, set the strategic direction for the 2019-2021 period and beyond. The exercise highlighted that the agricultural sector and development of rural areas are essential for delivering on the 2030 Agenda for Sustainable Development (2030 Agenda). Consequently, IFAD’s mandate of promoting inclusive and sustainable rural transformation plays a key role in achieving the 2030 Agenda ambition of “leaving no one behind”. The Consultation supported a rigorous programme of business model enhancements to promote excellence in operations, value for money and a commitment to transparency, accountability and results.

2. IFAD aims to meet the IFAD11 commitments and the goals of the 2030 Agenda through a programme of loans and grants (PoLG) of US$3.5 billion – a 10 per cent increase over the IFAD10 PoLG. This entails scaling up operational capacity through a comprehensive programme of reforms aligned with the ongoing reform of the United Nations system. The reform efforts focus on four strategic areas of business model enhancements endorsed during the IFAD11 Consultation process: (i) a re-engineered country-based model; (ii) a headquarters that is fit for purpose; (iii) more delegation to the frontlines; and (iv) recalibration of business processes.

3. Once achieved, these reforms will improve the quality of delivery, rates of disbursement, country-level policy engagement and overall partnership-building. These changes will enable IFAD to increase its outreach from almost 100 million poor rural people today, to 120 million by the end of 2021. Furthermore, they will allow IFAD to achieve greater impact across a range of Sustainable Development Goals, from improved incomes, resilience and nutrition to increased agricultural production and market access.

4. The Operational Excellence For Results (OpEx) exercise is more than a task to implement decentralization and its reforms. It is an opportunity to systematically embed a culture of change and enhanced delivery at IFAD. As a result, Management aims to establish a Change, Delivery and Innovation (CDI) unit within the organization. This proposed new unit will play a key role in ensuring reforms are sustained, monitored and strengthened moving forward, building upon the foundation it has established.

5. This note reports on the progress of the OpEx exercise. Updates on OpEx were also presented to the Executive Board in September 2017 and April 2018; this note provides further updates on: (i) decentralization; (ii) other reform areas; and (iii) outlook.
II. Decentralization

6. Since April, progress has been made on assigning and relocating staff to IFAD Country Offices (ICOs) according to the new decentralized map (see graphic 1 below). The map increases "firepower" on the ground and ensures delivery teams, regional hubs and ICOs are fully operational and ready to support country directors in their new role of performing both programmatic and non-lending activities. This will enable IFAD to be closer to the rural areas it serves, strengthen policy engagement and partnership-building, and support overall project performance.

7. Relative to 2017, staff positions in the field funded by the regular budget have been increased from 106 to 189 (see annex I for breakdown by location). Relative to overall staff, this represents an increase of positions in the field from 18 per cent to 30 per cent.

8. To do this, 34 new staff positions in operations were created in the 2018 strategic workforce plan. The increase in field staff will be offset by reductions in redundant positions. Most of these are at headquarters as some functions have been transferred to ICOs. Ten positions have already been abolished and 19 additional positions are planned to be abolished; the staff members currently filling such positions will be addressed through measures such as redeployment, natural attrition, retirement or voluntary separation.

Reassignment exercise

9. A reassignment exercise to ensure appropriate staffing across ICOs commenced at the end of January and was completed in early June. It was an extensive and rigorous exercise involving multiple departments, a reassignment panel with an external chairperson, and the IFAD Staff Association. Information was provided to staff throughout the exercise through open forums, one-on-one meetings, career orientation sessions, coaching, blog updates and other means.

10. During the reassignment exercise (see graphic 2 for a visual representation), a total of 114 positions were open for reassignment, including 90 in ICOs and 24 in headquarters. Of the 114 positions included, 98 were filled (74 in ICOs, 24 in headquarters), with 83 staff assigned to one of their three listed preferences and eight staff requesting reconsideration. With regard to the staff requesting reconsideration, four decisions were confirmed (of these four, one person resigned and one went on loan to another organization with Management’s approval), two won competitive processes for positions outside the reassignment process, one was temporarily assigned to a different post, and one request was accommodated via assignment to a different duty station.

11. The 16 unfilled positions became part of a broader list of 52 vacancies in operations, which are now being advertised and for which recruitment has begun. The list includes 24 national officer positions, 21 international Professional positions, and 7 General Service (GS) field positions; 48 of these 52 vacancies are located in ICOs or Regional Hubs.
**METRICS TO DETERMINE APPROPRIATE STAFFING IN ICOs**

**Country directors/country programme managers (CPMs) in a Regional Hub**
- Serve, on average
- Maximum of 3 countries
- And/or a portfolio of US$300 million (IFAD-managed financing)

**For every five countries**
- One P-3 programme officer per region
- And/or US$600 million of total financing

**Each Regional Hub and Regional SSTC and KM Centre**
- Is headed by a P-5

**Each Regional Hub and Regional SSTC and KM Centre has**
- One country operations analyst
- And one local GS staff member

**Every Regional Hub that serves eight or more countries has**
- An additional country operations analyst

**Each Regional Hub and ICO**
- Has one country programme officer

**Each country director/CPM-led ICO**
- Has one local G-5 staff member

**ICOs**
- 12 Regional Hubs and 3 SSTC and KM Centres are headed by a P-5
- 10 ICOs are headed by a P-5 or P-4 staff member, depending on portfolio complexity
- 15 ICOs are led by country programme officers

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**GRAPHIC 1:**
New decentralized map

**GRAPHIC 2:**

3
12. The reassignment exercise served the dual purpose of increasing IFAD's presence on the ground while also supporting staff mobility. Of the 98 staff who were reassigned, 15 per cent were assigned to higher-level posts, 5 per cent to lower-level posts, 26 per cent will change division, and 62 per cent will change duty station, with 47 per cent relocating specifically from headquarters to the field.

13. The exercise also confirmed the retention of a cadre of global technical specialists at headquarters as anchors for technical expertise across the regions. This will ensure knowledge-sharing, best practice exchange and coordination at the global and thematic levels.

14. Of the staff reassigned to ICOs, almost all will relocate by the end of 2018. This is a significant transition that requires coordination across many functions and careful attention to the impact of change on staff and their families.

15. To address this, the Field Support Unit (FSU) is holding individual briefings with each staff member and the Human Resources Division (HRD) is providing both medical and counselling services to staff and their families. FSU and HRD are also coordinating closely as part of a cross-departmental tactical working group to track and mitigate any issues that may impact staff relocating to the field.

16. The ability of new and enhanced ICO teams to adapt quickly to change is critical to implementing the roll out of decentralization and ensuring business continuity. The FSU is therefore upgrading existing ICOs and, where necessary, identifying new offices to accommodate more staff and upgrade facilities. Management is also taking action to ensure tools, training, support mechanisms and incentives are in place for the new country teams.

17. Appropriate training is being provided by the IFAD Operations Academy, which offers technical and non-technical training for staff to prepare for working within IFAD's new business model. As one example, from 3 to 6 July, the Operations Academy offered a second session of "Module 1: Operationalizing IFAD’s Decentralization Plan and Managing IFAD Country Offices for Greater Impact". The module was a repeat of a successful session held in April. It provided staff who were being decentralized with information on how to manage and work in an ICO. Thirty-four CPMs, country programme officers, technical specialists and other international staff participated.

18. On 3 July, Management attended a separate one-day "Operations Academy on Change Management" to acquire tools and skills to guide and support their teams through the ongoing change and reform process.
GRAPHIC 2: Decentralization

Increasing IFAD’s “firepower” on the ground and operational ability to achieve results

In 2018, staff positions in the field increased from 18% to 30%

Reassignment exercise

APRIL 2018

Reassignment exercise begins

JUNE 2018

Reassignment exercise completed

JULY 2018

All operational vacancies issued

END OF Q1 2019

All reassigned staff relocated

Ensure appropriate staffing across ICOs

<table>
<thead>
<tr>
<th>98 positions filled</th>
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<tbody>
<tr>
<td>83 assigned to a preference</td>
</tr>
<tr>
<td>74 in ICOs</td>
</tr>
<tr>
<td>24 in headquarters</td>
</tr>
<tr>
<td>8 requested considerations</td>
</tr>
</tbody>
</table>

114 positions included

90 in ICOs

24 in headquarters

52 vacancies in operations

16 unfilled positions resulting from reassignment became part of a broader list of vacancies in operations, which are now being advertised and recruited

Of 98 staff reassigned

15 to higher-level posts

5 to lower-level posts

25 will change divisions

61 will change duty stations

46 from headquarters to field

Operations Academy

Change management training

IFAD11 business model training

Field Support Unit

Individual briefings with staff members

Upgrade existing ICOs

Human Resources Division

Medical and counselling support for staff and their families

Management

Actions to ensure tools, training, support and incentives are in place

All numbers are regularly funded positions

Ongoing work to provide staff training, prepare ICOs and provide staff support
III. Other reform areas

19. Beyond the work of decentralization, reform progress since the last update has focused on four areas:

(i) Revising organizational structure;
(ii) Recalibrating IFAD’s project design process;
(iii) Revising delegation of authority; and
(iv) Preparing for the review of non-operations (non-ops).

A. Revising organizational structure

20. Taking into account a more decentralized business model, Management has focused on the following aspects when considering changes to the organizational structure:

(i) Ensuring delivery teams (teams working in the field) are organized to support country directors in their new role of performing both programmatic and non-lending activities. Placing an enhanced focus on country-level non-lending activities, particularly policy engagement and partnership-building, is critical to enhancing impact and results.

(ii) Managing knowledge adequately in a decentralized environment. Although decentralization generates many benefits, it also increases the risk of creating silos across different geographical areas which could impact the attainment of corporate targets and standards.

(iii) Defining appropriate checks and balances to clarify what needs to be reviewed and by whom; ensuring clear segregation between performing and checking.

21. After consideration of these aspects, Management issued a new organizational structure (see graphic 3) on 1 April 2018 with the following changes:

(i) Operations have been strengthened by realigning technical and mainstreaming functions into a reconfigured Strategy and Knowledge Department (SKD). SKD now encompasses: a front office; the existing Research and Impact Assessment Division (RIA); the new Environment, Climate, Gender and Social Inclusion Division (ECG) focusing on cross-cutting themes (i.e. climate, youth, gender and nutrition) and indigenous peoples; and the new Sustainable Production, Markets and Institutions Division (PMI) for technical support.

(ii) A new Operational Policy and Results Division (OPR) was created to consolidate and strengthen oversight of operational policies, procedures, training, compliance, performance and results. OPR also manages IFAD’s self-evaluation architecture and allocation system and coordinates the drive for enhanced transparency and reporting.

(iii) A new Global Engagement and Multilateral Relations Division (GEM) was created within the External Relations and Governance Department (ERG) in order to consolidate global engagement activities, including South-South and Triangular Cooperation and Rome-based agency collaboration.

(iv) Within existing divisions, field security functions have been consolidated into one unit reporting to the Administrative Services Division (ADM), and the annual corporate planning function has been reallocated to the Office of Budget and Organizational Development (BOD).
GRAPHIC 3: NEW IFAD ORGANIZATION CHART

GOVERNING COUNCIL

EXECUTIVE BOARD

OFFICE OF THE PRESIDENT AND VICE-PRESIDENT (OPV)

President

Vice-President

Director and Chief of Staff

INDEPENDENT OFFICE OF EVALUATION (IOE)

OFFICE OF BUDGET AND ORGANIZATIONAL DEVELOPMENT (BOD)

ETHICS OFFICE (ETH)

OFFICE OF THE GENERAL COUNSEL (LEG)

OFFICE OF AUDIT AND OVERSIGHT (AUD)

OFFICE OF THE SECRETARY (SEC)

PARTNERSHIP AND RESOURCE MOBILIZATION OFFICE (PRM)

COMMUNICATIONS DIVISION (COM)

GLOBAL ENGAGEMENT AND MULTILATERAL RELATIONS DIVISION (GEM)

EXTERNAL RELATIONS AND GOVERNANCE DEPARTMENT (ERG)

FINANCIAL OPERATIONS DEPARTMENT (FOD)

FINANCIAL MANAGEMENT SERVICES DIVISION (FMSD)

TREASURY SERVICES DIVISION (TRE)

ACCOUNTING AND CONTROLLER’S DIVISION (ACD)

PROGRAME MANAGEMENT DEPARTMENT (PMD)

STRATEGY AND KNOWLEDGE DEPARTMENT (SKD)

RESEARCH AND IMPACT ASSESSMENT DIVISION (RIA)

ENVIRONMENT, CLIMATE, GENDER AND SOCIAL INCLUSION DIVISION (EGS)

SUSTAINABLE PRODUCTION, MARKETS AND INSTITUTIONS DIVISION (PMI)

CORPORATE SERVICES DEPARTMENT (CSD)

HUMAN RESOURCES DIVISION (HRD)

INFORMATION AND COMMUNICATIONS TECHNOLOGY DIVISION (ICT)

ADMINISTRATIVE SERVICES DIVISION (ADM)

ASIA AND THE PACIFIC DIVISION (APD)

EAST AND SOUTHERN AFRICA DIVISION (ESA)

LATIN AMERICA AND THE CARIBBEAN DIVISION (LAC)

NEAR EAST, NORTH AFRICA AND EUROPE DIVISION (NEB)

WEST AND CENTRAL AFRICA DIVISION (WCA)

IFAD COUNTRY OFFICES

NEW DIVISIONS
B. Recalibrating IFAD’s project design process

22. The recalibration of business processes to fit IFAD’s new decentralized structure is a key focus of the reform work. Due to the importance of project design, OpEx focused first on making enhancements to this key process that will improve the quality of delivery and development effectiveness. Currently, the average time from project concept to Board approval is 17 months, followed by an additional 17 months between project approval and first disbursement. As part of IFAD11, Management has committed to reducing these times to 8 and 12 months respectively.

23. In May and April 2018, the OpEx team led a cross-divisional technical working group to develop a proposal for a recalibrated project design process. The group's proposal was approved and a President's bulletin on the new process was published in June. The new process reduces project approval and disbursement times while increasing overall quality (see graphic 4). The main changes are:

(i) A reduction in the number of mandatory review meetings (from up to 7 to 2);

(ii) Introduction of a risk-based approach to project reviews and approvals based on project risk, complexity and strategic importance with differentiated involvement from Senior Management;

(iii) Enhanced responsiveness to borrowers through fast-track processing (three months) of additional finance for scaling-up or to fill a financing gap, and for operations requiring rapid approval (e.g. emergency operations);

(iv) Project delivery teams reinforced with technical staff delivering projects to the Executive Board and following projects during implementation to ensure high quality throughout the project cycle;

(v) Enhanced quality through: (a) frontloading inputs from quality enhancement (technical peer reviews) and arm's length quality assurance (from the Quality Assurance Group [QAG]); and (b) use of a development effectiveness matrix to assess quality of project design throughout the review process;

(vi) Streamlined project concept note (PCN) and project design report templates with fewer mandatory annexes and a greater focus on implementation readiness, theory of change and results; and

(vii) Early government engagement ensured to promote country ownership in project design, including by specifying in the PCNs who the responsible government counterparts are and how government participation, beyond project design, will be funded.

24. The new process is now effective for projects classified under track 3 (see graphic 4 for explanation). For track 1 and 2 projects, those going to the Executive Board in 2019 and onwards will follow the new process and use the new template, though the old template will still be allowed until 30 September 2018. For track 1 and 2 projects going to the Executive Board in September and December 2018, the current process will be observed.

25. Management and staff are now being trained on the new, recalibrated process and its procedures. In July, Management attended a dedicated event at the Operations Academy and the OpEx team presented the process to the PMD Management Team.
New project review process
Each project financed by IFAD is assigned to one of three “tracks” which will determine the appropriate review and approval process.

**TRACK 1**
Operations requiring high corporate attention

**TRACK 2**
Regular operations

**TRACK 3**
Fast track operations
Additional financing and operations requiring rapid approval

PERIODIC REVIEW: Director, OPR, responsible for categorizing projects and monitoring compliance with the assigned track.

**Benefits**
- Fastest possible process
- High quality ensured
- Focus on implementation readiness
- Appropriate involvement of Senior Management and directors for risk management purposes

**TRACKS 1 AND 2**

FROM DESIGN THROUGH IMPLEMENTATION

**PROJECT DELIVERY TEAM**
- Country director/CPM accountable for the overall management of the project design
- Project technical lead from PMI or ECG with primary responsibility for technical quality of the project design
- FMD and ECG staff member (and PMI if the project team leader is from ECG)
- Legal officer
- Other technical specialists/consultants as required

**OSC MEETING**
to review PCN/confirm pipeline entry
- Track 1: President or Vice-President supported by QAG
- Track 2: AVP, PMD supported by OPR

**DESIGN REVIEW MEETING**
Including arm’s length quality assurance
- Track 1: Vice-President supported by QAG
- Track 2: AVP, PMD supported by OPR

**QAG DESK REVIEW**
against Design Review Meeting (DRM) recommendations

**FMD/OPR CLEARANCE AND AVP, PMD ENDORSEMENT**

**PRESIDENT’S APPROVAL**
to submit to Executive Board

**EXECUTIVE BOARD**

ON AVERAGE 8 MONTHS

**TRACK 3**

**DRAFT DECISION MEMORANDUM/PRESIDENT’S MEMORANDUM**
cleared by FMD, LEG and OPR

**QAG DESK REVIEW**
Assessment of quality and strategic alignment

**AVP, PMD ENDORSEMENT**

**PRESIDENT’S APPROVAL**
to submit to Executive Board

**EXECUTIVE BOARD**

3 MONTHS

Development effectiveness matrix to assess quality
C. **Revising delegation of authority**

26. Decentralization must be accompanied by an appropriate delegation of authority (DoA) and accountability. As part of IFAD11 commitments, Management agreed to revise the entire DoA framework to devolve greater responsibility to lower levels of Management (both in operations and non-operations) and to ICOs. These changes will be accompanied by a rigorous analysis to ensure appropriate checks and balances are in place to support devolved responsibility.

27. The OpEx team is now working with an external expert with IFI experience to review and revise all 11 chapters of the existing DoA framework and to examine appropriate mechanisms to monitor actions performed under delegated authority. Management plans to share the new framework with the Executive Board during an informal session in October.

28. In parallel, the OpEx team is also revising DoA for high-priority items. The team engaged outposted country directors and CPMs to identify items that require immediate delegation to ICOs. The group identified budget holder authority, hiring of consultants, duty travel approval and low-value procurement. ICT is working on adjusting systems to accommodate these needs and to embed appropriate controls into the enterprise resource planning (ERP) system.

D. **Preparing for the review of non-operations (non-ops)**

29. Following the completion of work to realign operational divisions to a decentralized structure and business model, in July 2018, the OpEx team began a review of non-operational (non-ops) areas (see graphic 5). The goal of the review is to ensure that these areas are fit for purpose to support a decentralized environment and IFAD’s new business model. The review will also identify opportunities to streamline support services and enhance overall institutional effectiveness and efficiency.

30. The review focused first on urgent items that can be addressed immediately:

   (i) Harmonization of front office support: A metrics-based approach will be used to determine the level of staff needed to support department heads and directors in their day-to-day management activities (budgets, human resources, travel, meetings, etc.). The aim is to align numbers and grades of GS staff in front offices with the volume and complexity of their functions, and to identify potential savings in support of a headquarters that is fit for purpose. Once the analysis is complete and Management approves the metrics, the OpEx team will communicate and implement changes.

   (ii) Implementation of recent independent reviews: Both HRD and the Office of the President and Vice-President have engaged independent reviewers to identify ways to streamline processes and functions. The review of HRD is focused on how HRD could be better prepared to support transformation and IFAD11 commitments, while the OPV review is focused on internal workflow and oversight structures. The OpEx team plans to partner with HRD and OPV to implement approved recommendations starting in September.

31. In parallel, the OpEx team has started to review areas of greater complexity that require a longer-term approach. Work commenced at the end of July 2018 to identify options for ensuring fit-for-purpose in ERG and the Corporate Services Department beyond HRD, to enhance service in a decentralized organization. Work is due to complete in September to allow for key elements to feed into the final budget.

32. Once these areas of the review are complete, OpEx will shift its focus over the remainder of the year to examining remaining departments (Financial Operations Department beyond FMD and Corporate Support Services Group) and key business processes such as travel and consultant management. These processes have been highlighted in staff surveys and independent reviews as areas for efficiency gains.
**Track 1 and 2**

QAG Desk Review against Design Review Meeting (DRM) recommendations.

**FMD/OPR Clearance and AVP, PMD Endorsement**

President’s Approval to submit to Executive Board

New project review process:

- Each project financed by IFAD is assigned to one of three “tracks” which will determine the appropriate review and approval process.

**Benefits**

- **Periodic Review:** Director, OPR, responsible for categorizing projects and monitoring compliance with the assigned track.

**Assessment of quality and strategic alignment**

Neither a PCN nor an OSC meeting is required.

**On average 8 months**

**Track 1**

Operations requiring high corporate attention.

**Track 2**

Regular operations.

**Track 3**

Fast track operations.

Additional financing and operations requiring rapid approval.

**Average 3 months**

Fastest possible process.

High quality ensured.

Focus on implementation readiness.

Appropriate involvement of Senior Management and directors for risk management purposes.

**Country director/CPM** accountable for the overall management of the project design.

**Project technical lead** from PMI or ECG with primary responsibility for technical quality of the project design.

FMD and ECG staff member (and PMI if the project team leader is from ECG).

**Legal officer** Other technical specialists/consultants as required.

**Project Delivery Team** from Design through Implementation:

**Phase 1:**

- President or Vice-President supported by QAG

**Phase 2:**

- AVP, PMD supported by OPR

**Phase 3:**

- Vice-President supported by QAG

- AVP, PMD supported by OPR

**Development Effectiveness Matrix**

To assess quality and strategic alignment.

**Design Review Meeting**

Including arm’s length quality assurance.

**OSC Meeting**

To review PCN/confirm pipeline entry.

**Recalibrating IFAD’s project design process**

**Graphic 4:**

- Initial results of OPV and HRD independent reviews
- Harmonize front offices, commence voluntary separation programme and plan for 2018 position abolition

**Graphic 5:**

Review of non-operational areas

Timeline

- **JULY 2018**
- **Q3 2018**
- **Q4 2018**
- **Q1 2019**

**Phase 1**

**Urgent items that can be addressed immediately**

- **Phase 2**

  - External consultant to review areas of greater complexity that require a longer-term approach
  - Review corporate services focusing on ICOs (e.g. ADM, FSU)
  - Review ERG to streamline and integrate new department’s functions and processes
  - Review and strengthen communications support to ICOs

**Phase 3**

- Examine core, non-ops business processes highlighted in both staff surveys and previous independent reviews as key areas for efficiency gains
- Review other corporate service areas within CSSG and FOD
- Business process review of core non-ops processes (e.g. consultant management, travel, human resources processes identified in review)
**IV. Outlook**

33. Relative to the OpEx implementation plan, reform activities are progressing as expected. The impact of change on staff is significant and continues to require attention and support. Management expects 2019 to be an important year for consolidating changes while the organization adjusts to new processes and ICO configurations, but by 2020 tangible results should be evident in programme delivery, policy dialogue and efficiency gains.

34. To provide the Board with the outlook for reform activities, this section is divided into:
   (i) Next steps on OpEx work streams;
   (ii) Key performance indicators;
   (iii) Budget usage; and
   (iv) Risks.

**A. Next steps on OpEx work streams**

35. As described in this note, over the remainder of 2018 Management and the OpEx team will focus on:
   (i) Supporting decentralized staff, ICO teams and operations staff in adjusting to changes, including implementing revisions to the DoA framework and putting into place the new project design process;
   (ii) Completing the non-ops review and initial examination of core non-ops business processes to ensure effective and efficient support to decentralized offices and streamlined headquarters functions; and
   (iii) Consolidating changes through training, support mechanisms and the establishment of the Change, Delivery and Innovation unit.

36. The Operations Academy will be a key partner in all three areas. The next module of the Operations Academy will focus on supporting decentralized staff in understanding the new IFAD11 business model and its associated roles and processes. The module will be delivered five times in the field between September and December (one offering for each region), with participation from all decentralized staff.

**B. Key performance indicators**

37. Management is tracking the results of reform actions to tangible and measurable improvements through key performance indicators (KPIs). The importance of identifying KPIs to assess the progress of the OpEx exercise was highlighted during the informal seminar of the Executive Board in October 2017. As a result, Management has prepared a high-level results chain linking reform activities and outputs to IFAD11 commitments and the Results Management Framework (see annex III).
C. **Budget usage**

38. As part of the 2018 budget, a one-time and capital budget of 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 complement; provision for the one-off increase due to staff reassignment to ICOs over and above the normal recruitment/relocation budget; provision for the backfilling of staff working on the OpEx exercise; engagement of external consultants with expertise in IFI reorganization and change management; staff training; voluntary separation costs; and capital costs associated with IT system enhancements.

39. A summary of the budget and its current utilization is set out in annex II. The increase in utilization since March 2018 reflects the fact that work has commenced on the systems changes required for immediate delegation of authority needs.

40. The current utilization also reflects that:

   (i) Management has put in place a rigorous set of principles and controls to access OpEx budget;

   (ii) Certain OpEx budget lines will only be used when the regular budget allocation within the regular budget is fully utilized. For example, the regular budget includes an allocation for normal relocation costs and the one-time OpEx budget will only be used after this allocation is fully used; and

   (iii) One-time budgets associated with the voluntary separation programme and non-ops business process will only occur during or after the fourth quarter in 2018.

D. **Risks**

41. The key risks of the OpEx and their mitigating actions are represented in the table 1 on the following page.
### Table 1. Key risks and mitigating actions

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigating action</th>
</tr>
</thead>
</table>
| **Business continuity risk** due to disruption arising from extent of changes. Specifically, the capacity to continue delivering the programme of work during the change process is a risk. | • IFAD11 commitments and the RMF tracking system are in place and are monitored actively by the Executive Management Committee.  
  • Specific measures are in place to ensure business continuity does not become an issue, including:  
    - The Operations Academy curriculum is being strengthened to cover staff training needs.  
    - Additional resources have been advanced from the midyear review budget exercise to ensure that operations have appropriate funding to deliver during change.  
    - Teams of IFAD staff will be created and deployed to support colleagues in taking up duties and setting up Regional Hubs. These teams will be composed of: (i) senior and experienced operational staff to support CPMs; and (ii) support staff to help with getting up to speed on immediate delegation of authority needs and other areas. |
| **Ensuring staff buy-in** for the overall objectives of the exercise is key to a successful outcome. Without staff buy-in the reform agenda will not result in increased operational capacity. | • Strong leadership from Senior Management.  
  • Strong leadership and engagement from Middle Management in communicating changes to staff and supporting them in transitions.  
  • Ensuring that staff are involved in all aspects of the exercise (including all staff events, participation in focus groups to review specific technical areas etc.). |
| **Risk of not meeting** extensive demand for communication flows in relation to the IFAD reform agenda may undermine the outcome of the exercise. | • Dedicated communications support has been provided to the OpEx team.  
  • A communication strategy has been devised and put in place and is constantly assessed by Management. |
| **Failure to achieve** the correct balance between speed of project implementation and required transformational and cultural change has been raised as a risk. | • Constant monitoring to ensure that the correct balance is being achieved. |
### Annex I. Staff positions funded by regular budget – by location

<table>
<thead>
<tr>
<th>Division</th>
<th>Regional Hub</th>
<th>Country</th>
<th>City</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>APR</td>
<td>East Asia Regional SSTC and KM centre (Beijing)</td>
<td>Afghanistan</td>
<td>Kabul</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>China</td>
<td>Beijing</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pakistan</td>
<td>Islamabad</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Mekong Hub (Hanoi)</td>
<td>Cambodia</td>
<td>Phnom Penh</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lao People’s Democratic Republic</td>
<td>Vientiane</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Myanmar</td>
<td>Naypyidaw</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippines</td>
<td>Manila</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Viet Nam</td>
<td>Hanoi</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>South Asia Hub (Delhi)</td>
<td>Bangladesh</td>
<td>Dhaka</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>India</td>
<td>New Delhi</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nepal</td>
<td>Kathmandu</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sri Lanka</td>
<td>Colombo</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>South East Asia and Pacific Hub (Jakarta)</td>
<td>Fiji</td>
<td>Suva</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Indonesia</td>
<td>Jakarta</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>ESA</td>
<td>African Union Regional SSTC and KC (Addis Ababa)</td>
<td>Ethiopia</td>
<td>Addis Ababa</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Eastern Africa and Indian Ocean Hub (Nairobi)</td>
<td>Burundi</td>
<td>Bujumbura</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kenya</td>
<td>Nairobi</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Madagascar</td>
<td>Antananarivo</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rwanda</td>
<td>Kigali</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>United Republic of Tanzania</td>
<td>Dar es Salaam</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Uganda</td>
<td>Kampala</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Southern Africa Hub (Johannesburg)</td>
<td>Malawi</td>
<td>Lilongwe</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mozambique</td>
<td>Maputo</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>South Africa</td>
<td>Johannesburg</td>
<td>0</td>
<td>8</td>
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<tr>
<td></td>
<td></td>
<td>Zambia</td>
<td>Lusaka</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>LAC</td>
<td>Andean and Southern Cone Hub (Lima)</td>
<td>Bolivia (Plurinational State of)</td>
<td>La Paz</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Peru</td>
<td>Lima</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Brazil Regional SSTC and KM centre (Brasilia)</td>
<td>Brazil</td>
<td>Salvador and Brasilia</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Mesoamerican and Carribean Hub (Panama City)</td>
<td>Guatemala</td>
<td>Guatemala City</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Panama</td>
<td>Panama City</td>
<td>0</td>
<td>12</td>
</tr>
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</table>
## Annex I. Staff positions funded by regular budget – by location (continued)

<table>
<thead>
<tr>
<th>Division</th>
<th>Hub</th>
<th>Country</th>
<th>City</th>
<th>2017 Total</th>
<th>2018 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEN</td>
<td>Central Asia and Eastern Europe Hub (Istanbul)</td>
<td>Turkey</td>
<td>Istanbul</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>NEN</td>
<td>IFAD headquarters (Rome)</td>
<td>Morocco</td>
<td>Rabat</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>NEN</td>
<td>North Africa and Middle East Hub (Cairo)</td>
<td>Egypt</td>
<td>Cairo</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Sudan</td>
<td></td>
<td>Khartoum</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Yemen</td>
<td></td>
<td>Sana’a</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>WCA</td>
<td>Central Africa Hub (Yaoundé)</td>
<td>Cameroon</td>
<td>Yaoundé</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>WCA</td>
<td>Democratic Republic of the Congo</td>
<td>Kinshasa</td>
<td></td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>WCA</td>
<td>Congo</td>
<td></td>
<td>Brazaville</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Coastal Hub (Abidjan)</td>
<td>Burkina Faso</td>
<td>Ouagadougou</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Côte d'Ivoire</td>
<td>Abidjan</td>
<td></td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Ghana</td>
<td></td>
<td>Accra</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Niger</td>
<td></td>
<td>Niamey</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Nigeria</td>
<td></td>
<td>Abuja</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Sierra Leone</td>
<td></td>
<td>Freetown</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>West Africa Hub (Dakar)</td>
<td>Guinea</td>
<td>Conakry</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Mali</td>
<td></td>
<td>Bamako</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Senegal</td>
<td></td>
<td>Dakar</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>106</strong></td>
<td><strong>189</strong></td>
</tr>
</tbody>
</table>

### Other locations

| PRM | Americas Liaison Office (USA) | United States | New York | 2 | 2 |
| PRM | United States | Washington | 3 | 3 |
| Rome headquarters (all other divisions) | | | | 492.4 | 434.5 |

| **Total number of staff positions** | **603.40** | **628.5** |
| % of staff positions in the field | **18%** | **30%** |
## Annex II. One-time adjustment and capital budget for OpEx

(Millions of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th>Budgeted phasing</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total 2018 2019</td>
<td>As at 31/03/18 As at 19/07/18 % of 2018</td>
</tr>
<tr>
<td><strong>I. ONE-TIME ADJUSTMENT BUDGET</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Accelerated decentralization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff outposting costs</td>
<td>1.05 0.75 0.30</td>
<td>- -</td>
</tr>
<tr>
<td>Upgrading and establishment of ICOs</td>
<td>1.45 1.15 0.30</td>
<td>0.10 0.18</td>
</tr>
<tr>
<td>B. Results and organization optimization activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business process and functional analysis</td>
<td>0.50 0.50 -</td>
<td>0.07 0.17</td>
</tr>
<tr>
<td>Organization and change management expertise</td>
<td>0.75 0.50 0.25</td>
<td>0.03 0.05</td>
</tr>
<tr>
<td>Backfilling of staff working on OpEx project</td>
<td>1.00 0.65 0.35</td>
<td>0.15 0.32</td>
</tr>
<tr>
<td>Training</td>
<td>0.35 0.15 0.20</td>
<td>- 0.06</td>
</tr>
<tr>
<td>C. Voluntary separation programme</td>
<td>1.50 0.50 1.00</td>
<td>- -</td>
</tr>
<tr>
<td><strong>Total one-time adjustment expenditures</strong></td>
<td>6.60 4.20 2.40</td>
<td>0.35 0.78</td>
</tr>
</tbody>
</table>

| **II. ONE-TIME CAPITAL BUDGET**             |                  |             |
| (for IT SYSTEM ENHANCEMENTS)                |                  |             |
| Reconfigure ERP system to support decentralization | 1.55 1.00 0.55 | - 0.54     | 54          |
| Infrastructure set up and upgrading at ICOs/Regional Hubs | 0.50 0.30 0.20 | - 0.09     | 30          |
| 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   | - 0.63     | 31          |

| **Total of one-time adjustment and capital budget** | 9.65 6.25 3.40 | 0.35 1.41 | 23 |


Annex III. OpEx results chain

<table>
<thead>
<tr>
<th>Activities</th>
<th>Outputs</th>
<th>Intermediate outcomes (IFAD11 RMF)</th>
<th>Outcomes</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re-engineered country-based model</td>
<td>• 40 ICOs established and running, including 12 Regional Hubs, 3 SSTC/KM centres</td>
<td>• Time from project concept to Executive Board approval (from 17 to 8 months by 2021)</td>
<td>Consistently higher-quality and sustainable country programmes and projects</td>
<td>IFAD scales up its impact and contribution to Agenda 2030</td>
</tr>
<tr>
<td></td>
<td>• Staff reassignment to Regional Hubs and ICOs completed</td>
<td>• Time from project approval to first disbursement (from 17 to 12 months by 2021)</td>
<td>• Overall rating for quality of project design</td>
<td>Transforming resources into development results (IFAD11 business model), effectiveness and equity (value for money)</td>
</tr>
<tr>
<td></td>
<td>• Job profiles of country directors, completed</td>
<td>• Disbursement ratio (from 16.7 to 17 by 2021)</td>
<td>• RMF tier II – development results – indicators</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Percentage of problem projects (from 22 to 15 by 2021)</td>
<td>• RMF tier III 3.3: performance of country programmes indicators</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ratio of budgeted staff positions in ICOs/Regional Hubs</td>
<td>3.6: Transforming resources into development results</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Percentage of IFAD’s investment projects managed by ICOs/Regional Hubs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Percentage of supervision/implementation support budget used through ICOs/Regional Hubs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More delegation to frontlines</td>
<td>• Revised delegation of authority fully operational</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Checks and balances embedded in core IT systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Making headquarters fit for purpose</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Realigned organizational structure is fully operational</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Job profiles of project technical leads, regional climate and environment specialists, gender officers and others completed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recalibrating business processes</td>
<td>• Streamlined design process fully operational</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Faster Implementation for Project Start-up fully operational</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Instruments to enhance project implementation speed fully operational</td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

IFAD scales up its impact and contribution to Agenda 2030
Transforming resources into development results (IFAD11 business model), effectiveness and equity (value for money)

Expanded programme of work (PoW)
• PoW grows from US$7 billion to US$7.7 billion by 2021
Resource mobilization (IFAD11 business model), effectiveness and equity (value for money)