

Document: EB 2020/129/R.3/Rev.2
Agenda: 4(i)
Date: 21 April 2020
Distribution: Public
Original: English

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Investing in rural people

People, Processes and Technology Plan: Implementation of a Targeted Investment in IFAD's Capacity

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Abbreviations and acronyms

A&M	Alvarez & Marsal
AVP	Associate Vice-President
BPR	business process re-engineering
CDI	Change, Delivery and Innovation Unit
CSD	Corporate Services Department
ERMF	Enterprise Risk Management Framework
EVP	employee value proposition
FTE	full-time equivalent
GSS	Global Staff Survey
HRD	Human Resources Division
ICT	Information Communications Technology Division
IFI	international financial institution
KPI	key performance indicator
PHF	Personal History Form
PM	performance management
RACI	Responsible, Accountable, Consulted and Informed
SDG	Sustainable Development Goal
SWP	strategic workforce planning
TCI	Targeted Capacity Investment

Executive summary

1. **IFAD's capacity to deliver on its mandate and maximize its contribution to the 2030 Agenda depends on it having sufficient human resources with appropriate capabilities, efficient corporate processes and the required technological solutions to deliver development results.** While the Fund's recent reforms represent a significant step towards improving IFAD's operational capacity, more must be done to enhance IFAD's effectiveness and efficiency.
2. **With this in mind, Management commissioned two external assessments, one by McKinsey & Company, who evaluated IFAD's workforce composition, and the other by Alvarez & Marsal, who examined IFAD's business processes.** Both assessments identified gaps in IFAD's human capital as well as inefficient processes and insufficient technological solutions to support needed changes. After careful review, and considering IFAD's strategy towards a more decentralized business model, Management launched an action plan centred on three mutually reinforcing workstreams: **People, Processes and Technologies**. Uniting these three areas follows best practices in organizational design and change management and aims to enhance organizational efficiency and value for money.
3. **The People, Processes and Technology plan presented here seeks to bridge the gaps in workforce and corporate processes to help IFAD effectively deliver its existing, ambitious programme of work and to better tackle the global challenges ahead.** The plan should not be considered in isolation but rather as a central element in IFAD's broader corporate strategy intended to strengthen its presence and engagement in the field, and to maximize development results. This strategic thrust, which gained momentum during the Eleventh Replenishment of IFAD's Resources (IFAD11) and is expected to become even more prominent under IFAD12, can be significantly reinforced through organizational improvements (both at headquarters and in IFAD Country Offices [ICOs]).
4. **In response to the above-mentioned studies, Management presented an outline of its Targeted Capacity Investment (TCI) implementation plan at the December 2019 Executive Board.** TCI is a one-time investment programme in the three workstreams to finance a package of initiatives that fall outside IFAD's regular workplan and thus outside the regular budget.
5. This paper presents the plan for each workstream, highlighting the measures that are currently under implementation and those that require one-time investments in order to achieve expected results.

People

6. **IFAD's human resources are its most important asset, determining IFAD's capacity to deliver development results.** It is critical for IFAD to be able to count on the right people, with the right skills, in the right roles and at the right time and places. Activities under this workstream are intended to help IFAD build and manage an agile workforce able to effectively deliver current and future programmes of work.
7. **The first Human Resources (HR) Study by McKinsey on the adequacy of IFAD's existing workforce to deliver current and future programmes of work was followed by a second study with more granular findings and recommendations.** Analyses focused on three distinct areas: (i) strategic workforce planning, to assess staff capabilities and capacities; (ii) employee value proposition, to assess IFAD's ability to attract and retain specialized talent; and (iii) performance management and HR technology needed to deliver on (i) and (ii).
8. First, in terms of **workforce capacity and capabilities**, the studies found that IFAD had a capacity gap equivalent to 19 existing full-time equivalent workers

(FTEs) as of December 2019, and an estimated gap of over 43 FTEs by 2024.

Capacity gaps were identified in programmatic functions and specific corporate business skills groups (e.g. legal, oversight and integrity, and IT), while over-capacity was identified in the administrative skills group. **Capability gaps** included a lack of specific skills throughout the organization (e.g. data management and written communication) and technical skills (e.g. development finance, private sector engagement, risk).

9. Second, the studies noted that **IFAD's employee value proposition (EVP) needs improvement to better attract and retain specialized talent, while fostering higher performance from existing talent.** IFAD will explore the possibility of capitalizing on flexible arrangements used in the United Nations system, including the possibility of offering incentives and engaging in targeted outreach to secure key talent for highly competitive roles in the areas where gaps have been identified.
10. Third, the studies found that IFAD's current **performance management** process fails to appropriately address underperformance and recognize high performance. It is clear that supervisors tend to systematically avoid dealing with underperformance for fear of legal implications and retaliation by staff.
11. **Since December 2019, IFAD has begun tackling some of these issues** by, for example, building an inventory of individual staff skills, redesigning the end-to-end performance management process and formulating a workplan to address IFAD's EVP gaps. But additional efforts are needed to complement and support these activities and achieve efficiency gains without compromising IFAD's capacity to deliver. **To this end, the following one-time investments, financed by TCI funds, are envisaged:**
 - (i) **Divisional strategic workforce plans.** Building on the HR studies, further analysis will be conducted to identify the specific positions – including grades and locations – needed to bridge the current capacity gaps. This complex work requires external expertise to support a division-by-division analysis and the development and implementation of a strategic workforce plan for each division.
 - (ii) **Targeted training for upskilling/reskilling.** To address skills gaps, IFAD will implement targeted training programmes for at least 250 staff over a two-to-three year period. Initial priority will be given to strengthening the skills of those who play critical roles on the ground, particularly hub heads and country directors. These programmes are in addition to the normal training offered by IFAD, therefore regular resources will not be sufficient to provide them at the needed scale and depth in reasonable time. Even with significant support for staff, the upskilling/reskilling initiative might lead to some staff not being ready, able or willing to participate. The sum of US\$500,000 has been set aside for potential staff severance in 2020.
 - (iii) **Dedicated performance management training and support.** Since management of underperformance is one of the main weaknesses identified, a tailored, advanced training course on performance management (with focus on underperformance) for supervisors and managers will be organized. This will take place at headquarters and in ICOs, and also virtually if required, to ensure organization-wide reach, with additional support to managers and HR business partners on human resources and legal aspects.

Processes

12. **The objective of the process workstream is to ensure that IFAD’s underlying business processes provide appropriate operational capacity to meet the Fund’s objectives, manage its risks and enhance efficiency.** The business process re-engineering (BPR) assessment found that IFAD can improve how it defines and manages its business processes, since inefficiencies often arise due to duplication of effort and confusion over roles and responsibilities.
13. **Following extensive staff consultations, the BPR report by Alvarez & Marsal (A&M) presented 68 recommendations to implement: (i) staff time savings; (ii) cost savings; and (iii) non-tangible benefits.** Management carefully selected 18 “quick wins” to be addressed immediately, and a further 25 for implementation in the course of 2020. With full re-engineering of the 43 selected recommendations, IFAD could save an estimated 15,000 staff hours and up to US\$1.5 million per year when the exercise is fully completed.
14. **Since December 2019, Management has begun implementing the 18 quick-win actions,** including a tracking process for Executive Board documents, streamlining the candidate approval process, and carrying out a lessons-learned exercise on procurement procedures.
15. **Given the scale and interconnectedness of these initiatives, implementing them at the same time will provide additional synergies and enhanced efficiency.** Accordingly, the following are being proposed for 2020 as one-time activities:
 - (i) **Implementation of a further 25 recommendations selected to maximize efficiency** (in addition to the 18 “quick wins”). Actions include: automating specific steps in the travel process; reducing consultancy contract revisions and/or cancellations; and streamlining the consultancy registration process.
 - (ii) **Review of additional business processes for re-engineering.** In line with the BPR exercise, an analysis of additional business processes requiring re-engineering will be conducted. These processes will be selected based on efficiency savings and synergy with IFAD’s strategic agenda.
 - (iii) **Implementation of a more robust Enterprise Risk Management Framework (ERMF).** Recognizing the more complex financial and development environment, Management identified the need to embed a more effective ERMF deeper into the organization. A one-time investment is required to review and develop templates, guidelines, instruments, and specific procedures/policies to comprehensively implement and validate the enhanced ERMF elements.

Technology

16. **The proposed measures regarding technologies would directly enable the other two workstreams to augment IFAD’s operational capacity. Addressing technology gaps identified in the HR and BPR reviews will prepare IFAD to meet the challenges of the future workplace,** mainly by initiating baseline automation to facilitate the uptake of skills such as digital fluency and data analysis.
17. **Complementing the other two workstreams, IFAD has already started work on the technologies aspect.** For example, in the people workstream IFAD has begun designing an enhanced talent management system, including costing and an implementation plan. On the processes side, implementation plans have been prepared for 24 out of the 43 BPR analysis recommendations with a technology component to be implemented in 2020. In addition, IFAD has identified potential investments in automation to improve efficiency and enable smarter work by harnessing the latest technology and the power of data. A “heat map” was

developed to illustrate high-level opportunities and facilitate the selection of initial pilot schemes based on criteria such as potential impact, complexity and risk.

18. Complementing not only the overall plan but also IFAD's broader efforts to enhance efficiency, the following technological solutions are required for one-time investment:
 - (i) **People – Talent management.** The one-time talent management solution will leverage IFAD's existing enterprise resource planning (ERP) system by re-implementing existing modules and acquiring specific talent-focused functionality. This system will strengthen management of IFAD's staff, which will be key to bridging the capacity and capability gaps in the future.
 - (ii) **Processes – System changes.** TCI funds are required to implement the 24 high-priority BPR recommendations swiftly this year in order to achieve maximum efficiency and synergy through synchronized changes.
 - (iii) **Automation.** A "deep-dive" analysis will select IFAD pilot exercises for automation efficiencies, starting with less complex, transaction-oriented solutions in 2020 (e.g. automating invoice processing using robotics). Building on lessons learned from the pilots, the plan will then address more strategic, data-driven initiatives (e.g. predictive reporting on project risk and performance; automation to scan documents to identify narrative on specific themes for knowledge mining and sharing).

Timeline and budget

19. The People, Processes and Technology Plan will be implemented over a two-to-three year timeframe (see annex I). It should be noted that IFAD is already deploying five full-time workers across the three workstreams to handle a series of tasks, including: the coordination of activities proposed in the HR Study; the development of a skills inventory and a skills group taxonomy; and the design and evaluation of new performance management and talent management policies, processes and systems. Related costs have been fully absorbed in existing regular budget resources with no adverse impact on other priority activities.
20. **The total implementation cost for the period 2020-2021/2022 is estimated at US\$14.675 million.** Of this amount, US\$11.855 million is one-time TCI, of which US\$5.375 million is for 2020 and the rest is indicatively earmarked for 2021/2022. Out of the TCI funds for 2020, US\$1.305 million will be for the people workstream, US\$3.05 million to improve processes and enhance enterprise risk and US\$1.02 million to implement technology-related reforms. **The rest of the plan for 2020 will be funded through other administrative resources totalling US\$1.185 million. A summary of the one-time and recurrent costs is shown in table 1 in the main text.**
21. In addition to the longer-term objectives of increased efficiency measured through the relevant indicators of in IFAD's Results Measurement Framework, a suite of key performance output indicators have been identified in the short-run for clear monitoring and reporting. Management will report progress to the Executive Board in December 2020. The Board will then review the progress of the implementation plan, decide on possible revisions, and reassess funding needs for 2021/2022 within the reserve budget.

Proposal

22. **IFAD has already begun significant work on the People, Processes and Technology Plan to reap efficiencies needed to deliver its existing, ambitious programme of work and address future challenges.** To build on this initial work, an immediate TCI is needed to introduce further improvements in staff capabilities, corporate processes and technological solutions both at headquarters and in ICOs. This plan is the key to unlocking and maximizing the capacity and efficiency gains needed to double IFAD's impact by 2030.

Recommendation for approval

The Executive Board is invited to approve the proposed changes and the recommendation that an amount of US\$5.375 million be drawn down from the Targeted Capacity Investment reserve to fund expenditures planned in 2020.

People, Processes and Technology Plan: Implementation of a Targeted Investment in IFAD's Capacity

I. Background

1. **IFAD's capacity to deliver on its mandate and maximize its contribution to the 2030 Agenda depends on the Fund having human resources with appropriate competencies and capabilities, efficient corporate processes and the required technological solutions to deliver effective development results.** While the Fund's recent reform agenda represents a significant step towards improving IFAD's operational capacity, more must be done to heighten IFAD's effectiveness and efficiency and make it fit-for-purpose.
2. **In 2018, IFAD conducted a Global Staff Survey to assess the organizational climate in which IFAD conducts its business.** The results, released in February 2019, highlighted that the current business processes produce stressful workloads and challenge the ability of staff to work efficiently. Only 27 per cent of respondents gave a positive answer to the statement "IFAD's internal procedures and processes are efficient".
3. **Recognizing the need to tackle IFAD's human capital needs, workloads and efficiency issues, Management commissioned two external assessments.** McKinsey & Company analysed IFAD's workforce composition, while Alvarez & Marsal (A&M) reviewed IFAD's business processes to identify gaps in human resources and inefficient practices, and to suggest appropriate technological solutions.
4. **The McKinsey HR Study, the first of two, assessed IFAD's current workforce and the future human capital requirements needed to deliver on the existing and potential programme of work,** considering key internal and external trends. The study focused on three areas: (i) **strategic workforce planning (SWP)**, presented a comprehensive overview of the staff capabilities and capacities at IFAD today, and of the implications for the delivery of IFAD's current and future work programme, considering in particular the shift in strategy and operating model proposed under IFAD12; (ii) **employee value proposition (EVP)** first looked at ways to enhance IFAD's ability to attract and retain certain specialized talents, particularly those sought after by other international financial institutions (IFIs); and then suggested options for improving the competitiveness of the compensation packages offered by the Fund for highly specialized personnel; and (iii) **performance management and HR technology** were examined in depth to gauge how these two key strategic HR enablers can deliver on areas (i) and (ii). To assess the size of IFAD's workforce with respect to comparable organizations, this first analysis used several benchmarks from other employers.¹

¹ They included United Nations organizations, IFIs and a broad sample of 60 comparable private and public sector organizations from around the world. Additional ad hoc benchmarks and self-assessments prepared by IFAD divisions in the recent past have been also taken into account to test and contextualize results of the benchmarking analysis.

5. **The findings of McKinsey’s first HR Study across these three areas can be summarized as follows:**
- (i) In terms of **workforce capacity and capabilities**, an increase of 43 full-time worker equivalents (FTEs) was projected by 2024 (under a conservative growth scenario of 3 per cent in the programme of loans and grants per replenishment cycle). Specifically, **capacity gaps** were identified in programme functions and specific corporate business skills groups (e.g. legal, oversight and integrity, and IT), while over-capacity was identified in the administration skills group.

In terms of **capability gaps**, IFAD presents shortages of organization-wide skills (e.g. data management and written communication) and technical skills (e.g. advocacy and performance management). The review also indicated that IFAD needs to update its approach to staffing needs in a decentralized structure and to tackle “blind spots” (e.g. in staff adaptability).
 - (ii) IFAD’s **EVP** needs improvements to attract and retain specialized talent and create the right environment to facilitate high performance by existing talent. The study found significant differences between the compensation packages offered by IFAD and other IFIs for Professional and Director-level staff (33 per cent lower for Professional and 65 per cent for Director positions and above), which poses recruitment problems in the targeted areas.
 - (iii) IFAD’s current **performance management** process fails to adequately recognize high performance and address underperformance. To enhance staff performance, the current IT systems, together with HR training and support for supervisors, needs to be updated to promote a holistic approach to performance management.
6. **Recognizing benchmarking limitations, Management commissioned a follow-up McKinsey HR Study to unpack the initial estimates and obtain a more granular, bottom-up evaluation of workforce capacity and needs.** After a detailed analysis of IFAD’s workforce for the planning functions,² the study indicated that IFAD had a current capacity gap of 19 FTEs as of December 2019, without considering any future growth scenarios.
7. **These results were consistent with the first HR Study as they found that the main gaps were in technical and programmatic functions.** In particular, the study found the need to address gaps in:
- (i) **Programmatic functions.** FTEs to be increased (+36), especially with regard to technical specialists (+22).
 - (ii) **Corporate functions.** FTEs to be reduced (-17) especially as concerns the administration skills group (-47).
8. This second study included an organization-wide mapping of individual staff skills that confirmed shortages in:
- **Technical skills.** Overall, the largest gaps were in project/programme management and advocacy (including policy dialogue and evidence-based policy), with additional gaps for critical roles in financial crime, risk and compliance. Closing these gaps will allow IFAD to achieve lasting systemic change through direct policy engagement and partnership-building at the country level. It will also strengthen the Fund’s role as an assembler and coordinator of development finance.
 - **Meta-skills.** The widest gaps were in data analysis, written communication and risk management, areas that enable the effective practice of core

² Criteria for project workload calculations were defined and validated with IFAD staff and included lending and non-lending activities.

technical skills. For example, strong performance in advocacy and policy dialogue depends in part on equally strong skills in data analysis.

9. **IFAD's new decentralized business model is likely to further evolve by 2023, when the Fund aims to achieve a field presence of 45 per cent** (up from 18 per cent in 2017 and 31 per cent today). In addition to increasing the number of outposted personnel, decentralization has generated different staffing needs, including more support functions in the field and reduced business functions at headquarters.
10. **The HR Studies also recognized that "lean approaches" minimizing waste, or an automation of processes could achieve needed efficiencies, including reduction in workload.** For instance, decentralization has brought to light the potential that exists for: (i) increasing the functionality of current HR systems to more effectively manage skills inventories; and (ii) supporting a data-driven, integrated and agile approach to talent management, including mobility and succession planning.
11. **In parallel, Alvarez & Marsal conducted a review of IFAD's business processes to identify changes that could lead to greater efficiency and reduced staff effort while achieving similar or better outcomes.** A&M also produced a road map or high-level plan to deliver these changes, focused on seven key cross-departmental business processes: (i) travel; (ii) recruitment; (iii) consultant management; (iv) corporate procurement; (v) loan disbursement; (vi) supplementary funds; and (vii) document processing.
12. **The analysis, a BPR exercise, found that IFAD has significant room for improving its business processes.** In particular, the final report highlighted that:
 - (i) IFAD currently has many low-value, high-effort processes/protocols.
 - (ii) The amount of documentation for policies and procedures is highly variable and those documents are not stored in a centralized process library.
 - (iii) The levels of approval across processes are onerous and potentially excessive.
 - (iv) Key roles associated with the seven processes reviewed are not well defined or understood.
 - (v) IFAD needs to improve its capture and leverage of data.
13. **The A&M report presented 68 recommendations for IFAD to strengthen its business processes in order to realize: (i) staff time savings; (ii) cost savings; and (iii) non-tangible benefits.**³ Management carefully reviewed the recommendations and prioritized them into: quick wins (achievable in 3-6 months), medium-term (6-12 months), and longer-term (over 12 months and often requiring new technology solutions). See annex IV for further information.
14. **After examining the reports and, considering IFAD's move towards a more decentralized business model, Management started to implement an action plan around three mutually reinforcing workstreams: People, Processes and Technology.** Uniting these three areas follows best practice organizational design and change management to enhance organizational efficiency and value for money.

³ Alvarez & Marsal, 2019. *IFAD Business Process Re-engineering (BPR) Report*. IFAD, 2019.

II. People, Processes and Technology plan

15. **The People, Processes and Technology plan seeks to bridge the gap in workforce and corporate processes to help IFAD effectively deliver its existing, ambitious programme of work and better navigate the global challenges ahead.** The plan should not be considered in isolation but as a central piece of IFAD's broader corporate strategy to strengthen its presence and engagement in the field and maximize development results. This strategic thrust, which gained impetus under IFAD11 and is expected to be consolidated under IFAD12, can be significantly enhanced through organizational improvements to heighten development impact.
16. **This plan includes both simple changes and more complex systemic reforms.** The difference between the two lies not so much in the time needed to complete them but rather in the corporate changes and the level of investment required to implement them.
17. **Since December 2019, Management has been proactively implementing reforms in each of the three areas for which neither changes in corporate systems nor special budget allocations (beyond regular divisional administrative resources) were required.**
18. **A one-time "Targeted Capacity Investment" (TCI)** is expected to fund the implementation of a package of more complex actions that go above and beyond IFAD's regular workplan in the three areas and, therefore, beyond administrative resources. IFAD could potentially cover these activities with administrative resources, but given the level of the resources required, doing so would result in a much slower implementation over almost a decade. This would then prevent IFAD from rapidly achieving the needed efficiencies to deliver on its mandate and maximize its contribution to the 2030 Agenda.

A. People

19. **IFAD's workforce is its most important asset and largely determines the Fund's ability to deliver development results.** It is critical for IFAD to have the right people, with the right skills, in the right roles, at the right time and in the right places. Activities under this workstream aim to strengthen IFAD's capacity to build and manage a flexible and agile workforce able to effectively deliver the current and future programme of work.
20. **The people workstream is organized around the three areas considered in the HR Studies, namely: (i) SWP; (ii) EVP; and (iii) performance management and HR technology.** Work is in progress on each front. In SWP, IFAD has started introducing its new mobility framework with the objective of reassigning existing internal talent to cover capacity gaps and respond to IFAD's needs. However, in cases where gaps have been identified but cannot be covered by internal resources, IFAD will recruit external resources.
21. **On the EVP front, the HR Studies confirmed that, while the United Nations compensation and pension system remains attractive overall, when compared to IFIs the gap in Professional staff salaries (especially at P-4 and above) makes it difficult to attract highly specialized talent** such as senior officials in the legal, finance and treasury areas.⁴ To tackle this issue, IFAD will explore the possibility of capitalizing on existing flexible arrangements within the United Nations system, including the possibility of offering hiring incentives and conducting targeted outreach activities. An independent audit of functions in the organization will also be conducted to ensure the correct classification of jobs.

⁴ The study found a gap between the compensation packages offered by IFAD and other IFIs for Professional and Director-level staff members equal to 33 per cent lower for Professional staff and 65 per cent for Director-level and above positions.

22. In addition to encouraging the use of the current non-monetary performance awards to recognize high performers, **Management will assess the potential introduction of monetary performance bonuses at a later stage.** Finally, special initiatives focused on retaining women in senior professional roles and addressing workload issues through flexible solutions will be further explored.
23. **For the 2020 performance review cycle, particular efforts are being made in the area of performance management as it is clear to Management that supervisors tend to systematically avoid dealing with underperformance for fear of legal implications and retaliation by staff.** In fact, despite years-long efforts to support supervisors in this process, no substantive change is apparent to Management. Results of performance evaluations return, year after year, an unrealistically low number of cases of underperformance with ratings of 2 (partly satisfactory) or 1 (unsatisfactory).
24. **Accordingly, the Human Resources Division is working on the redesign of the end-to-end performance management process to enhance and support the ability of supervisors to manage underperformance.** This includes a new rating system, a weighted objective evaluation process and ongoing check-ins from supervisors. Also being provided is dedicated training for staff and managers on giving and receiving feedback. To mitigate performance disputes, new policies and procedures have been developed to introduce a rebuttal process supported by external reviewers. Further, more structured performance development plans are being introduced for underperforming staff. The idea is to better monitor improvement in performance against clearly defined timelines and outputs.
25. **While these measures are being implemented, additional efforts are needed to support ongoing activities, achieve efficiency gains and reach targeted results without compromising IFAD's capacity to deliver.** The following one-time investments are envisaged in 2020 within this workstream:
- (i) **Divisional strategic workforce plans.** Building on the results of the second HR review, further analysis will be conducted to identify the specific positions — including grades and locations — needed to bridge the current staffing gaps. This complex and urgent work requires external expertise to support a division-by-division analysis and the development and implementation of corresponding strategic workforce plans.
 - (ii) **Targeted training for upskilling/reskilling.** To build staff capacities in areas presenting skills gaps, IFAD will provide tailored and, in some cases, semi-personalized training to at least 250 staff over two years. Initial priority will be given to strengthening the skills of those with critical roles on the ground (e.g. a tailored programme for country directors could be focused on advocacy, policy dialogue, communication, and/or programme management). Such training is over and above the normal training offered by IFAD and, while regular resources could be used in the future, they will not be sufficient to cover this kind of training at the needed scale and depth within reasonable time.

Special efforts will be made to support staff in bridging their skills gaps. However, the process might lead to some workers not being ready, able or willing to participate. As a precautionary measure, a minimum amount of US\$500,000 is therefore proposed for 2020 to pay for possible separations from IFAD. Management will build on the outcome of the divisional SWP exercise to propose a concrete plan for the 2021/2022 period.
 - (iii) **Performance management – dedicated management training and support.** In light of the weak performance management culture in IFAD, and complementing ongoing efforts, professional support is needed in the design and implementation of a tailored, advanced training programme for

supervisors and managers on performance management (with a focus on underperformance). This will be provided at both headquarters and IFAD Country Offices (ICOs) to ensure organization-wide support. In addition, assistance will be given to managers and HR business partners on human resource and legal aspects.

B. Processes

26. **The objective of the processes workstream is to ensure that IFAD's underlying business processes are fit-for-purpose and to provide IFAD with the operational capacity to meet its objectives, manage its risks and enhance its efficiency.** After completing the BPR exercise in 2019, Management realized the importance of maintaining the programme's momentum. The participatory nature and depth of the analysis conducted, as well as the potential efficiency savings it highlighted, created a clear corporate need and raised expectations among staff that real changes would take place.
27. **As a result, Management reviewed the 68 recommendations presented in the BPR report and selected 18 actions for immediate implementation in order to achieve efficiency gains as soon as possible (i.e. 3-6 months).** These 18 "quick wins" have no connection with other workstreams. The benefits of implementing them has been estimated at some 6,000 staff hours and, when fully in place, up to US\$1 million in cost savings. The quick wins include:
- ✓ The creation of a travel process guide to reduce common expense reporting errors, and the implementation of initial changes to the travel policy to reduce the costs of last-minute booking;
 - ✓ The review of guidelines for creating documents for Executive Board submissions, to reduce the likelihood of documents being rejected by the Office of the Secretary;
 - ✓ The inclusion of key performance indicators (KPIs) for the consultant management process to streamline the recruitment of consultants;
 - ✓ Conducting a lessons-learned exercise on specific procurement processes to identify areas for improvements and reduce errors.
28. **IFAD has also made significant efforts in developing a robust risk culture supported by a sustainable ERMF.** This framework offers a clear link between the measurement and management of processes across the organization. And although good progress has been made on implementing improvements in IFAD's ERMF, additional efforts are needed to ensure that it is sufficiently robust for IFAD's needs going forward.
29. **The 18 quick wins are expected to be completed by Q3 2020.** In addition to these steps, Management has prioritized an additional 25 recommendations to be implemented in 2020. The following points however need to be taken into account:
- **Change management expertise.** The implementation of the 18 quick wins has shown that different skill sets are required for business process users or owners and business process change experts. While these skills can certainly be acquired through training, external expertise will be needed to work closely with staff to implement the changes. This will ensure that changes are actually implemented while also providing staff with the necessary continuous improvement skills and mindset going forward to identify additional efficiencies.
 - **Appropriate phasing of implementation.** The units involved do not have the capacity to start working on many recommendations at once. Doing so would also be too disruptive and increase implementation costs in 2020 to unacceptable levels. A phased approach is therefore appropriate.

- **Broadening scope to other processes.** While the initial BPR exercise is focused on seven key business processes, it is critical to broaden the scope to other processes in order to obtain efficiency gains since most corporate processes are interrelated and reinforce each other.
30. Management has considered using the regular budget to implement the additional 25 recommendations on business process and risk management improvements. However, doing so would mean that the required changes would take place over many years and that IFAD would not be fit-for purpose within reasonable time – limiting its capacity to deliver results efficiently and effectively.
31. Having reviewed the above elements, Management proposes the following actions be implemented between 2020 and 2021/2022 as one-time activities:
- (i) **Implementation of a further 25 recommendations** that have the potential to maximize efficiency: savings are currently estimated at 9,000 staff hours. Measures include: automating specific steps in the travel process; reducing consultancy contract revisions and cancellations; and streamlining the consultancy registration process.

An integral part of the implementation of these 25 recommendations will be documenting and designing business requirements and functional specifications enabling IFAD to design, cost and build the technical elements required for all recommendations.

The implementation of the actions will require the introduction of detailed KPIs and a dashboard to measure and enhance process efficiency and continuous improvement. This will contribute to enhancing IFAD's overall business process management maturity.
 - (ii) **Review of additional BPR exercises.** A review of additional business processes that require re-engineering will be conducted. These processes will be selected based on efficiency savings and on how they best serve IFAD's future agenda.
 - (iii) **More robust ERMF.** Recognizing that the nature, size, complexity and risk profile of IFAD's activities is significantly changing, Management identified the need to embed the ERMF deeper into the organization and to make it more robust and effective. To achieve this promptly, a one-time investment is required to: (i) review templates, guidelines, instruments and specific procedures and policies; and (ii) to develop new ways to comprehensively document and facilitate proper implementation, validation and verification of the enhanced ERMF elements.
32. The additional recommendations included in the BPR report will be reassessed by Management later in 2020. This review will be informed by the experience gained in implementing the 18 quick wins and initiating the 25 additional recommendations described above. Management will also assess IFAD's readiness to implement broader institutional changes to enhance IFAD's overall business process maturity (e.g. greater reliance on data analytics and KPIs across the organization).

C. Technology

33. **Actions under the technology workstream aim to directly enable the other streams and enhance IFAD's operational capacity. This will be achieved by addressing technology gaps identified in the HR Studies and BPR report in order to prepare IFAD for the challenges of the future workplace.** Priority will be given to initiating a baseline automation programme to facilitate the uptake of skills such as digital fluency and data analysis.
34. **Aligned with and complementing the actions under the other two workstreams, actions under this workstream are also under**

implementation. Linked to the people workstream, and following a review of various options, an approach has been selected for setting up an enhanced talent management system, including costing and an implementation plan. On the processes workstream, a review of all BPR recommendations has been conducted. As a result, 24 out of the 43 selected recommendations to be initiated in 2020 were found to be sufficiently justified to be included in an initial technology workplan. These 24 recommendations relate to four business processes for which technological solutions were costed and an implementation plan prepared.

35. **In parallel, a high-level assessment on the potential for automation at IFAD was undertaken.** Over 100 opportunities for automation across all IFAD division were identified, ranging from transactional ones enabling efficiencies to more strategic ones (e.g. data analytics and knowledge gathering). A “heat map” was developed to illustrate major opportunities and facilitate their prioritization based on criteria such as potential impact, complexity and risk.
36. Complementing both the overall plan presented here and IFAD’s broader efforts to enhance efficiency, the following technological solutions are required for one-time investment:
 - (i) **People – Talent management.** The selected talent management solution will leverage the existing ERP to use relevant talent management modules ensuring that the latest functionality is made available to resolve gaps in effectively managing skills. This is the most cost-efficient option and meets immediate requirements while keeping IFAD’s options open in the future. In accordance with procurement procedures, an external vendor will be sourced to deliver the required configuration. The project will also include a data rationalization exercise to better support analytics requirements. If the nature of the work performed is deemed to be capital in nature, the costs will be capitalized at the end of 2020 and depreciated in the normal course of business.
 - (ii) **Processes – System changes.** While the implementation of technology solutions for the 24 recommendations could be supported by capital budget in normal circumstances, it is being proposed as a one-time activity in 2020. This is to ensure that implementation commences swiftly. At the end of 2020, an assessment will be made on whether technology upgrades belong under maintenance or capital. If the decision is capital they will be capitalized and depreciated in the normal course of business.
 - (iii) **Automation.** An in-depth (“deep dive”) analysis will be performed to validate 15 options, and pilots will be selected for progressive implementation, starting with transaction-oriented exercises in 2020 and continuing with more complex, strategic pilots that require more analytical effort. The criteria used to select the first set of solutions include ensuring corporate-wide engagement across all areas, potential impact, complexity, risk, and resource requirements. This evaluation will be assessed against potential benefits and will inform the proposed activities for 2021/2022.

III. Implementation arrangements

A. Timelines and budget

37. **The People, Processes and Technology plan will be implemented over a two-to-three-year period.** IFAD is already investing five full-time equivalents of existing staff resources distributed across the three workstreams, including for coordinating activities from the HR report, developing the skills inventory and skills group taxonomies, and designing and evaluating the new performance management and talent management policies, processes and systems. These costs have been fully met through existing regular budget resources, with no adverse impact on delivery of other priority activities.

38. **The total implementation cost for 2020-2021/2022 is estimated at US\$14.675 million.** Of this amount, US\$11.855 million would come from the TCI one-time funding source. As shown in table 1, US\$5.375 million is proposed for funding activities from TCI in 2020 while the rest, US\$6.48 million, is indicatively earmarked for 2021/2022. The remainder of the plan would be funded from other administrative sources estimated at US\$1.185 million in 2020 and US\$1.635 million in 2021/2022.
39. In addition, IFAD's new decentralized business model aims to achieve a field presence of 45 per cent of total resources (up from 31 per cent today). This will require a one-time investment to upgrade ICO premises and facilities to accommodate additional staff. The expenditure, although related to premises and facilities, is included in table 1 as it is fundamental to the People, Processes and Technology plan and central to increasing human resource capacity in the field.
40. Management will revisit implementation of the plan and the 2021/2022 indicative numbers before making any further proposal to the Executive Board for a drawdown. Management will report on progress to the Executive Board in December 2020.
41. In addition to investment costs, it is estimated that incremental recurrent costs, currently required from 2022/2023 onwards, amount to US\$1.27 million. These are costs for mainstreaming pilots within the people workstream as well as funding maintenance needs arising from technology investments.

Table 1

Overall budget estimates for 2020-2021/2022, by workstream and source of funding

		2020		2021/2022		Totals
		TCI	Carry forward/ capital budget	TCI	Carry forward/ capital budget	
<i>Workstream and main activities</i>						
People	Strategic workforce planning					
	Development of divisional SWP plans	320	-	-	-	320
	Targeted upskilling/reskilling	385	-	665	-	1 050
	Staff separation programme	500	-	2 000	1 000	3 500
	Employee value proposition					
	Job audit	-	200	-	-	200
	Review of existing HR arrangements to enhance EVP	-	-	-	-	-
	Performance management					
	Support for performance management redesign	-	250	-	-	250
	Dedicated management training and support for supervisors	100	-	100	-	200
Processes	Business process re-engineering					
	Implementation of 18 quick wins	-	235	-	-	235
	Implementation of additional 25 recommendations	1 300	-	-	-	1 300
	Enhancing business process maturity	350	-	-	-	350
	Implementation of remaining recommendations	-	-	1 000	-	1 000
	Analysis of new business processes	800	-	-	-	800
	Implementation of selected recommendations	-	-	1 150	-	1 150
Enterprise Risk Management Framework						
ERMF integration	600	-	300	-	900	
Technology	Implementation of talent management system	450	-	165	35	650
	Implementation of BPR technology changes and solutions	570	-	100	140	810
	Analysis and piloting of automation use cases (transactional)	-	400	-	-	400
	Analysis and piloting of automation use cases (strategic and data-driven)	-	-	500	160	660
	Investment in ICO upgrade (enabler)	-	100	500	300	900
Totals	5 375	1 185	6 480	1 635	14 675	

B. Key performance indicators

42. In addition to the longer-term objectives of increased efficiency measured through IFAD's Results Management Framework, a suite of key performance indicators has been identified in the short term for thorough monitoring and reporting (see table 2).
43. IFAD will track the tangible results and measurable improvements of the TCI plan through programme-level KPIs. These indicators will help determine where efficiency and effectiveness are increasing and where further action, if any, is needed. The KPIs also take into account the interconnectivity across workstreams to provide a more programme-oriented and holistic approach.

Table 2

Key performance indicators (Note: Timelines may need to be revisited if plan moves from two to three years)

Indicators	Targets	Baseline	Data source	Timeline
Outcome indicators				
1. Staff engagement index	80%	GSS 2018: 72%	GSS survey	2021
2. Decrease capacity gaps	25% gap reduction	Skills gap survey 2019	Skills gap survey 2022	2022
3. Percentage of job offers accepted as a % of offers made	>95%	92%	HR databases	2021
4. Staff successfully exiting underperformance cycle	> 90% of staff underperforming		HR databases	2022
5. Decrease in time to fill Professional vacancies (days)	90 days	100 days	Corporate databases	2021
6. Decrease total overtime expenditure per year	15% reduction	2019: US\$300,000	Corporate databases	2022
7. Staff hours saved per year	15,000 hrs/year	2019	BPR Assessment	2022
8. Increase staff perception on the efficiency of internal procedures and processes	50%	GSS 2018: 27%	GSS survey	2023
9. Reduction of relative costs of institutional functions, services and governance	25%	2019: 27%	Annual budget document	2022
Output indicators				
Strategic workforce planning				
10. Targeted staff with capacities upskill or reskill	250 staff		HR databases	Q4 2021
11. All Professional positions reviewed (job audit)	100%		HR databases	Q4 2022
Performance management				
12. Performance management process redesigned	Completed		HR Tracker	Q4 2020
13. All supervisors trained in performance management	100% Directors and supervisors		HR databases	Q4 2021
14. Tailored performance management system in place	Completed		HR Tracker	Q1 2021
15. Underperformance management handbook released	Completed		HR Tracker	Q4 2020
16. Review of the rebuttal process finalized	Completed		HR Tracker	Q4 2020
Employee value proposition				
17. Review of compensation mechanisms within policies finalized	Completed		HR Tracker	Q4 2020
Business process re-engineering				
18. Quick-win reforms completed (18)	100%		BPR Tracker	Q4 2020
19. Additional prioritized reforms completed (25)	100%		BPR Tracker	Q4 2020
20. Review of additional business processes completed	Completed		BPR Tracker	Q4 2020
21. Implementation of selected recommendations	100%		BPR Tracker	Q4 2021
Enterprise Risk Management Framework				
22. Regular quarterly risk reporting in place and actions followed up	Quarterly risk reporting		Corporate systems	Q1 2021
Automation				
23. Staff engaged in automation	5% of Professional staff		ICT database	Q4 2020
24. Automation pilots mainstreamed	25%		ICT database	Q4 2021

C. Key risks and mitigating actions

44. Potential risks that could compromise the achievement of the outcomes of this plan have been identified, alongside actions to mitigate them.

Table 3

Key risks and mitigating actions

<i>Risk</i>	<i>Mitigating action</i>
(a) During a replenishment year, changes arising from this plan might disrupt IFAD's ability to deliver the volume and quality of programme of work expected or its other key corporate goals, which could in turn impact on the replenishment itself.	<ul style="list-style-type: none"> The implementation of this plan will be monitored closely, together with the regular monitoring by Senior Management of the Eleventh Replenishment of IFAD's Resources (IFAD11) commitments, the Results Management Framework tracking system, and other corporate goals. The front-loading of the programme of loans and grants (PoLG) in 2019 (i.e. the first year of IFAD11) has provided space for staff to deliver what is required while also being fully engaged in the change process.
(b) The three workstreams are interdependent. If an integrated approach is not adopted it will undermine the coherence of implementation and, ultimately, the success of the plan.	<ul style="list-style-type: none"> The three workstreams are under the executive leadership of one Associate Vice-President (AVP), i.e. of the Corporate Services Department (AVP, CSD), and fully supported by the rest of Senior Management. Management of the plan will involve regular meetings including all business owners of the different workstreams.
(c) After several years of reform some staff may be reluctant to see further changes, which might affect their buy-in and engagement with the plan.	<ul style="list-style-type: none"> Management will ensure strong ownership from Senior Management (including active involvement in the Steering Committee and executive sponsorship of AVP, CSD). The implementation involves strong leadership and engagement from middle management in supporting staff and being advocates for and communicating the changes. A change management plan will be devised, including investing significant time to ensure staff are engaged in the exercise.
(d) Due to the "human factor", the focused training on upskilling, reskilling and improving performance management may not result in the expected outcomes; staff separation might be mishandled; and process re-engineering benefits might not materialize.	<ul style="list-style-type: none"> The plan's KPIs will be closely monitored by Senior Management across all workstreams to ensure strong implementation and benefit materialization. Recalibrations will be made should the implementation of the plan go off track. The change management plan will pay particular attention to the people workstream. Additional supportive actions will be implemented if needed.
(e) Demand for timely and clear communication from both internal and external stakeholders is not fully met, thus undermining the plan.	<ul style="list-style-type: none"> A tailored communications strategy will be put in place for the plan. Management is assigning additional communications support for the plan, building on the lessons learned from recent reforms.

45. The risks identified above and potential new ones will be monitored regularly by Senior Management within its Executive Management Committee. Any necessary recalibrations to the plan arising from risks will be reported to the Executive Board.

D. Change management and communications

46. Change management is fundamental to the success of the plan. The importance of helping staff understand and commit to the proposed changes was also underlined at the informal seminar of the Executive Board in January 2020.
47. Change management will run across all workstreams to ensure a consistent approach. The change management approach will build on the lessons learned from recent reforms and will focus on engagement and communications.
48. **Engagement.** A tailored approach will be adopted to ensure internal and external stakeholders are engaged in the manner most meaningful for their areas of work. Building on past lessons, the change management approach will incorporate a specific focus on leveraging middle management (i.e. directors) as key advocates,

supporters and communicators of the changes and the vision behind them. Best practice indicates that staff respond best when they hear about changes from the leaders they are closest to.

49. **Communications.** A common communications approach will be adopted across all work areas. The focus will be to ensure consistency, clarity and transparency of messaging to allow AVPs and their directors to communicate directly with their teams on TCI, and staff to recognize the interlinkages between workstreams. There will also be specific communications support provided to ICOs to facilitate an emphasis on field-level engagement and avoid over-reliance on intranet blogs to engage IFAD staff in-country.
50. **Monitoring.** The change management plan will also incorporate monitoring across all workstreams, status consolidation and reporting, overall programme resource management, and identification/mitigation of key risks and dependencies.

IV. Proposal

51. **IFAD has already begun significant work on the People, Processes and Technology Plan to reap the efficiencies needed to deliver its existing, ambitious programme of work and address future challenges.** To catalyse this initial work, an immediate TCI is needed to further enhance improvements (both at headquarters and in ICOs) in staff capabilities, corporate processes and technological solutions. The plan is key to unlocking and maximizing capacity and efficiency gains to double IFAD's impact by 2030.
52. Based on the level of detailed planning work performed to date, Management requests the Executive Board to endorse the drawdown of US\$5.375 million from the US\$12 million agreed TCI reserve to implement the 2020 portion of the plan.

Implementation plan

Main activities by workstream		2020				2021/2022			
		Q1	Q2	Q3	Q4				
People	Strategic workforce planning								
	Development of divisional SWP plans								
	Targeted upskilling/reskilling training								
	Separation programme								
	Employee value proposition								
	Job audit								
	Review of existing HR arrangements to enhance EVP								
	Performance management								
	Redesign of the end-to-end performance management process								
	Support for performance management redesign								
Dedicated management training and support for supervisors									
Processes	Business process re-engineering								
	Implementation of 18 “quick wins”								
	Implementation of additional 25 recommendations								
	Implementation of remaining 25 recommendations								
	Business process maturity assessment and follow-up actions								
	Analysis of new business processes (in addition to the initial 7 ones)								
	Implementation of selected recommendations								
Enterprise Risk Management Framework									
ERMF integration									
Technology	Talent management system: design, testing, roll out and post-launch support								
	Implementation of 24 phase-1 BPR technology changes and solutions								
	Validation of potential cases for automation (<i>deep-dive analysis</i>)								
	Implementation of pilots of automation use cases (transactional)								
	Implementation of pilots of automation use cases (strategic/data driven)								
Investment in IFAD Country Office upgrades									

IFAD workforce capacity

1. The table below presents IFAD's workforce capacity gaps in terms of full-time equivalents (FTEs) as at 31 December 2019.
2. The second HR Study conducted by McKinsey assessed whether IFAD has the right number of FTEs (both staff and consultants) in its workforce at a more granular level. Distinct approaches were used for different skills groups as follows:
 - (i) For corporate business functions (including administration, corporate finance, risk and control, human resources, information technology, and legal, oversight and integrity), the assessment was based on several benchmarks of comparable organizations including United Nations agencies, IFIs, and a broader sample of 60 private and public sector organizations from around the world. In addition, the benchmarks for the information technology and the legal, oversight and integrity skills groups were updated.
 - (ii) In relation to programmatic functions (including programme management for agricultural development, research economists and technical specialists), a bottom-up approach was adopted where the drivers of workforce demand were captured via cross-functional interviews and subsequently analysed.
3. The outcome indicated that, as at 31 December 2019, to have adequate resources to perform the existing programme of work, there was an undersupply of 19 FTEs.

IFAD workforce capacity gap as at 31 December 2019 (FTEs)

<i>Function</i>	<i>IFAD's 2019 workforce</i>	<i>2019 benchmark</i>	<i>Difference</i>
Administration	191	144	(47)
Communications and knowledge management	55	55	-
Corporate finance, risks and control	51	47	(4)
Development finance	15	15	-
External affairs and resource mobilization	51	51	-
Financial investment portfolio	35	33	(2)
Human resources	26	29	3
Information technology	36	54	18
Legal, oversight and integrity	28	41	13
Monitoring, results and policy	56	56	-
Management*	61	61	-
Others	35	35	-
Programme management for agricultural development	171	182	11
Research economists	20	25	5
Technical specialists	222	244	22
Total FTEs	1 053	1 072	19

* Including regional economists and portfolio advisers.
Source: McKinsey HR Study.

IFAD workforce capabilities (skills gap)

1. The objective of the staff capability exercise was to assess the current available skills, skill development targets, and time horizons for development for each staff member across all divisions/units comprised of more than five staff members. The assessment was performed by requesting managers/directors to indicate the full list of skills required by skills group and which skills were deemed necessary for a given position. Assessments were then made on a scale of 1 to 4:
 - 1 = Does not have the skill, but should (now or in the future);
 - 2 = Can apply the skill with help/coaching;
 - 3 = Can apply the skill independently; and
 - 4 = Can coach others on the skill.

Not applicable = Skill irrelevant to the role (now and in the future)
2. The results of the analysis were then validated with directors and their appointed delegates in workshops by department. During the workshops, the most important skills gaps to be addressed for 2021/2022 were prioritized.
3. The skills groups with the most significant gaps to close were among staff in the financial investment portfolio, development finance, technical specialists, and legal, oversight and integrity skills groups. This reflects the new skills that IFAD must deploy to fulfil its vision of working with new financial instruments and in new partnership arrangements (e.g. private sector). Similarly, very specific skills gaps were also not highlighted by the assessment (e.g. cybersecurity). Management intends to review the best way to bridge these emerging and specific skills gaps when developing the divisional strategic workforce plans for 2021/2022.

Staff skills gaps by skills group (Percentage)

Skills group	No. of staff rated	Percentage missing skills			
		More than 50%	25%-50%	Less than 25%	Total
Financial investment portfolio	12	67	33	-	100
Development finance	12	58	25	17	100
Technical specialists	57	23	40	37	100
Legal, oversight and integrity	18	22	28	50	100
Corporate finance, risks and control	35	31	17	52	100
Monitoring, results and policy	17	12	24	64	100
Programme management for agricultural development	120	19	16	65	100
Administration	123	15	15	70	100
Management and other	28	7	4	89	100
Human resources	16	6	-	94	100
Communication and knowledge management	12	-	-	100	100
Research economists	7	-	-	100	100
External affairs and resource mobilization	29	-	-	100	100
Information technology	27	-	-	100	100
Total	513	-	-	-	-

Business process re-engineering recommendations

BPR: 68 recommendations by business process and delivery time

Process area and recommendation		2020		2021/ 2022
		By June	By year-end	25 more actions
		18 quick wins	25 further actions	
(1) Travel				
1	Reduce error rates on expense reports and associated rework by travel team and traveler	X	-	-
2	Increase automated reconciliation of flight ticket costs for travel team	X	-	-
3	Reduce last-minute travel request volumes	X	-	-
4	Leverage system-generated notifications – mitigate missing travel authorization risk	-	X	-
5	Automatically re-route “new” miscellaneous expenses (not contained within travel authorization) to budget holders	-	X	-
6	Reduce travel profile effort (specifically the need to check correct bank account details)	-	X	-
7	Automate travel advance payment (where no miscellaneous expenses)	-	X	-
8	Auto-calculate excess hotel charges	-	X	-
9	Clarify accountability and roles and responsibilities across the travel process	-	X	-
10	Develop travel dashboard	-	-	X
Subtotal		3	6	1
(2) Recruitment				
1	Enhance effectiveness and efficiency of candidate pre-screening by integrating scheduling tool and additional compulsory questions	X	-	-
2	Enhance applicant awareness of recruitment process and communication of process	X	-	-
3	Improve Personal History Form (PHF) design and content	X	-	-
4	Reduce the number of approvals built into the as-is process	X	-	-
5	Reduce over-processing of candidate reports (post-interview panel)	X	-	-
6	Clarify accountability and roles and responsibilities across the recruitment process (Responsible, Accountable, Consulted and Informed [RACI] matrix)	-	X	-
7	Enhance competency-based candidate assessment and scoring – link with existing competency framework	-	X	-
8	Provide more salary and benefit information in vacancy announcements (VAs)	-	X	-
9	Improve effectiveness of long-list generation mechanism	-	X	-
Subtotal		5	4	-
(3) Consultant management				
1	Reduce contract revisions and/or cancellations	-	X	-
2	Enhance monitoring and evaluation form for consultants, ensuring a clear link to objectives in terms of reference (ToRs)	-	-	X
3	Obtain a change to 240/960 day rule and improve tracking of consultants	X	-	-
4	Reduce the number of approvals and re-align their timing in the overall process	-	X	-
5	Introduce uploading of mandatory documents during profile creation (onto portal)	-	X	-
6	Install “register” link at the bottom of the PHF screen	-	X	-
7	Introduce paperless contracts instead of attaching files to e-mails	-	-	X
8	Redesign the end-to-end process	-	X	-
9	Reduce the detail required in the PHF	-	X	-
10	Design the RACI matrix for the end-to-end process	X	-	-
11	Remove manual education check/declaration in personal profiles	-	X	-
Subtotal		2	7	2
(4) Corporate procurement				
1	Implement annual forecasting and quarterly planning cycles and reporting	-	-	X
2	Reduce the ToR cycle time for each request	-	X	-
3	Improve internal originators/clients’ knowledge and understanding of the procurement process	-	-	X
4	Implement a tailored procurement strategy for financial services and legal services	-	-	X
5	Implement a RACI matrix for end-to-end purchasing process and acquisition plan	-	X	-
6	Conduct a “lessons learned” review for selected purchasing campaigns	X	-	-
7	Implement a RACI matrix for the sub-process acquisition/tender plan	-	X	-
8	Introduce improved metrics and reporting	-	X	-
9	Development and capacity-building of the Contract Review Committee	X	-	-

Process area and recommendation		2020		2021/ 2022
		By June	By year-end	25 more actions
		18 quick wins	25 further actions	
10	Commence continuous improvement portfolio	-	-	X
11	Introduce a contract and vendor management role	-	-	X
	Subtotal	2	4	5
(5) Loan disbursement				
1	Optimize the points – who, when and where – at which the relevant risk controls are conducted	-	-	X
2	Standardize and enhance IFAD Client Portal (ICP), shift from paper-based withdrawal applications (WAs) to electronic WAs and integrate with other systems across IFAD	-	-	X
3	Optimize how guidance to borrowers/recipients is provided	-	-	X
4	Remove duplication in records management system	-	-	X
5	Improve integration of ICP with other loan disbursement systems	-	-	X
6	Design and implement additional key performance indicators (KPIs)/metrics to monitor performance	-	-	X
	Subtotal	-	-	6
(6) Supplementary funds				
1	Align supplementary funds strategy with core funding	-	-	X
2	Implement governance across core funding and supplementary funds	-	-	X
3	Develop a RACI matrix	-	-	X
4	Define the Standard Operating Procedures and relevant documentation	-	-	X
5	Propose and ratify donor segmentation framework	-	-	X
	Subtotal	-	-	5
(7) Document processing				
1	Carry out voice-of-the-customer research to identify the Executive Board's needs and preferences with regard to documents	X	-	-
2	Review and amend guidelines (e.g. word limits, annex versus appendix use, number of annexes, translation of annexes, hyperlinks instead of copy/paste, etc.)	X	-	-
3	Increase visibility of and adherence to relevant policy docs (e.g. President's bulletins)	-	X	-
4	Move lapse-of-time project submissions (and processing) to "off-peak" times	-	X	-
5	Publicize easy-to-understand style clarifications among originators (e.g. bullet points)	X	-	-
6	Treatment of late documents	-	X	-
7	Review submission deadlines and posting dates	-	X	-
8	Create a working group to devise (and review) document templates for most frequently used documents	X	-	-
9	Implement ELUNA software	-	-	X
10	Identify KPIs to be tracked throughout the document journey and implement naming guidelines to give documents unique references for tracking across systems	X	-	-
11	Apply cost recovery 100 per cent of the time, charging the cause of delay rather than the originator automatically	X	-	-
12	Information and Communications Technology Division (ICT) to create/implement document templates with word counts	-	-	X
13	Review and amend clearing process	-	-	X
14	If seasonality of demand for Language Services is evened out, consider increasing full-time equivalents through appropriate contracts	-	-	X
15	Research possibilities with Human Resources Division to ensure maximum number of qualified translators can be easily accessed	-	-	X
16	Create online training on how to use various Office of the Secretary (SEC) systems and how to apply guidelines	-	-	X
	Subtotal	6	4	6
Totals		18	25	25

Management responses to Member comments

1. Members of the Executive Board and Audit Committee reviewed the People, Processes and Technology Plan on two occasions: at an Informal Board Seminar on 25 March 2020 and at a regular Audit Committee meeting on 31 March 2020. Members requested that Management provide responses in writing, prior to the Executive Board session in April, to the written and oral comments made by members at both meetings. Management's responses to the key topics are set out below and suggested text changes have been inserted into the main document.

A. COVID-19

2. **Members questioned the current relevance of the plan in light of the COVID-19 pandemic.** COVID-19 is a major global threat that has led to a tragic loss of human life and may also have a significant impact on the world's economies. The livelihoods of poor rural people will likely be severely impacted by this pandemic – exactly the people IFAD serves to build resiliency and prosperity.
3. COVID-19 is also major threat to IFAD's organizational safety, health and programme delivery, and may impact IFAD's replenishment and reputation. The People, Processes and Technology Plan was developed before the COVID-19 pandemic. Management firmly believes, however, that the unfolding crisis and the lessons learned so far are further proof of the need for a targeted investment of this nature. In a rapidly changing world, IFAD needs to be at maximum capacity: fully efficient, skilled, and fit-for-purpose and equipped with the technological innovations to deliver on its mandate. This plan would enable IFAD, in a relatively short space of time, to reach this point.
4. The elements of the plan are key "enablers" for IFAD's operations, and better equip IFAD to adapt to and operate under crises such as COVID-19. In concrete terms they will: enhance the capacity, capability and adaptability of staff; streamline business processes; increase automation and use of digital tools to carry out IFAD's work virtually; accelerate the implementation of a robust Enterprise Risk Management Framework (ERMF) to ensure risks are managed adequately; and strengthen the Fund's decentralized structure. With regard to decentralization, spreading IFAD staff around the globe mitigates against the risk of concentrating too many staff in one location and allows IFAD to respond more quickly and effectively to Member States' needs on the ground.
5. However, as the situation is still evolving, Management needs to prioritize, review timelines and be flexible. In light of this, Management agrees that the implementation timespan may need to be lengthened from two to three years. Management will report back to the Board in December 2020 with details of revisions to the timeline should they be required.

B. Separation programme

6. **Members requested greater detail on the upskilling and reskilling initiatives and their limits, and on what the appropriate size of the separation programme should be at this time.** Management believes that a key focus of the plan should be on upskilling and reskilling existing staff and embedding a strong performance management culture. However, Management also notes that the second phase of the McKinsey Human Resources (HR) Study indicated that administrative functions are over-staffed by some 47 full-time equivalents and that there are crucial skill gaps in areas where it will be difficult to reskill or upskill existing staff members. At a time when significant increases in administrative budget might not be possible, Management agrees that it is important to find the right balance between developing existing staff skills and creating space for hiring new staff who have the new skills required.
7. As a result, Management proposes that the amount of US\$500,000 for the 2020 separation programme remain unchanged and that the outcome of the detailed

divisional strategic workforce planning (SWP) exercise be used to define the separation programme for the 2021/2022 period more accurately. Approximately US\$2 million has been earmarked for this purpose within the Targeted Capacity Investment (TCI) one-time budget over 2021/2022. This amount is only indicative at this juncture as Management will need to revert to the Board for approval of all amounts proposed in the 2021/2022 period. In addition, Management is proposing to set aside US\$1 million of carry-forward resources for the 2021/2022 period for possible additional staff separations.

C. Performance management

8. **Members requested examples of what would change as a result of efforts to improve performance management.** Management believes that the initiatives being rolled out – including policy and system changes – are “must-haves” for any performance management process to be effective. Management also realizes that these will not be enough to ensure that the needed bigger cultural change takes place. This will require a more systematic approach over time.
9. An integrated talent management framework will allow IFAD to take a horizontal approach and ensure that performance management is effectively managed across all talent areas. Increased support to managers by the Human Resources Division and Office of the General Counsel has already led to the identification of a number of underperformance and borderline underperformance cases. These are now being carefully evaluated by Management to ensure that they are tackled effectively and strictly monitored. Decisions on termination for cases of consistent underperformance will be taken to ensure zero-tolerance when no improvement is recorded. Such visibility, along with performance management role-modelling at all levels, should pave the way to embed “performance consequences” as a critical building block of IFAD’s corporate culture.
10. The new end-to-end performance management process includes mandatory requirements for staff to set behavioural objectives and to focus on areas of development and/or improvement. The talent management technology solution will enable managers to track performance against these objectives in real-time – allowing corrective measures to be put in place immediately. This will in turn support a change in culture and strengthen the notion of consequence management at all levels within the organization.

D. Business process re-engineering

11. **Members requested more details on the estimated savings of 15,000 staff hours from the business process re-engineering (BPR) exercise to date.** These savings are for selected processes across the entire organization to be implemented in 2020 (i.e. travel, recruitment, consultancy management, corporate procurement and document processing). The primary aim will be to rectify the workload issue identified in the Global Staff Survey and improve how IFAD does its work through streamlined processes.
12. Examples of indicative savings are:
 - (i) Process changes (5,000 hours) – for example, fewer approval levels, clearer responsibility matrices and the automation of certain processes;
 - (ii) New tools/techniques (5,000 hours) – for example, new software for interviewing/scheduling, guidelines for originators, tools to better manage expectations for document processing;
 - (iii) Guideline/governance changes (2,000 hours) – for example, stricter and in some cases more flexible guidelines, introduction of formal authorities empowered to review documentation for the Executive Board;

- (iv) Organization changes (2,000 hours) – for example, travel champions assigned in the field to support remote travel booking; and
- (v) Policy changes (1,000 hours) – for example, better adherence to policy, tracking of performance versus policy.

E. Enterprise risk management and IFAD Country Office facility costs

13. **Members questioned the inclusion of enterprise risk management.** Management remains firmly convinced of the need to include this element. In light of the COVID-19 crisis, the need to be adequately prepared for IFAD's changing financial architecture and IFAD's target of further decentralization, an urgent one-time improvement in IFAD's approach to enterprise risk is required.
14. **Members questioned the inclusion of one-time facility costs.** Management believes that an IFAD Country Office (ICO) facilities upgrade is an important one-time cost that will be required with the move from 31 to 45 per cent of staff in the field. This cost is not covered under the capital budget because IFAD rents its ICO premises primarily from other United Nations agencies. As a result, the one-time upgrade cost is not capitalizable as it is effectively a payment to a landlord. Although the line item has been removed, Management would like to keep discussions open on this line item and revisit it for the period 2021/2022.

F. Technology and automation

15. **Members requested additional information on technology, questioned whether technology costs are being underestimated and sought clarification on the use of capital budget for BPR and HR talent management system technology implementation.** On the accuracy of cost estimates for technology components:
- (i) Costs are split almost evenly across the three sub-streams, with a slightly higher investment in automation pilots. The costs provided were analysed by IFAD and further analysed and validated by external experts.
 - (ii) For both the BPR and HR talent management projects, following an analysis of available options, the lowest cost options were selected, avoiding the introduction of new platforms. IFAD already possesses considerable knowledge and experience using the platforms and technologies being enhanced by these projects, indicating a low probability of underestimating related costs and implementation risks.
 - (iii) For both BPR and HR talent management – although the options entail limited acquisitions of new assets such as licenses – the related assets amounting to US\$175,000 have been removed from the TCI and are earmarked for mainstreaming in the capital budget cycle of 2021.
 - (iv) Cost assessments of specific components were conducted by vendors familiar with IFAD's technical architecture and configuration.
 - (v) The estimates for the licensing costs for the automation pilots are based on market prices provided by an experienced third-party vendor for a selection of technologies for transactional to strategic use. These estimates were cross-checked with IFAD sources and with United Nations pricing catalogues where available. The automation business products on the market are primarily subscription-based and therefore, after the pilot implementation, they will feature as annual recurrent costs, with the highest portion allocated to strategic automation pilot use cases that require more specialized skills for upkeep and enhancement.
 - (vi) Automation is a digitalization investment that IFAD could not afford to defer, given the current lean resource envelope allocated to technology. The TCI is an opportunity to develop long-needed capacity in strategic and data

analytics aspects towards becoming a more digital, resilient and data-driven institution.

16. **Members requested that the automation “heat map” be shared, and sought clarification on automation use cases beyond invoice processing, and on timing of deployment.** The skills involved in automation such as artificial intelligence and predictive analytics are in high demand in the marketplace. However, in line with the two other workstreams, a phased scenario is assumed, aimed at implementing up to 15 IFAD-specific pilots. On the transactional automation stream, beyond invoice processing, other robotic process automation will be piloted, such as service kiosks and orchestrating automatic uploading of data for administrative procedures (see paragraph 22). On the strategic automation stream, a range of potential use cases will be piloted (see paragraph 23). Given that the robotic process automation industry is more mature, less complex and easier to deploy, the implementation approach will commence with this stream. The strategic automation stream will follow in 2021.
17. **Automation heat map and examples.** The heat map was developed following interviews and workshops carried out over a two-week period with staff from all IFAD departments. Staff members identified 107 potential use cases for automation pilots. These were categorized into five impact areas: (i) transaction processing and collaboration efficiency; (ii) 24/7 service automation; (iii) augmenting analytics capacity; (iv) knowledge mining and sharing; and (v) predictive reporting. The transaction processing category typically deals with “robotics process automation”. The last three categories (which are more data analytics related) are considered more strategic in that they directly complement and build on the progress IFAD has made in recent years in generating and using data.

Table 1

Automation pilots: heat map

Transaction processing and collaboration efficiency	24/7 service automation	Augmenting analytics capacity	Knowledge mining and sharing	Predictive reporting
FOD	CSD	SKD	PMD	PMD
PMD	FOD	PMD	FOD	ERG
CSD	PMD	FOD	SKD	CSSG
CSSG	ERG	CSSG	ERG	CSD
ERG	CSSG	ERG	CSSG	FOD
SKD	SKD	CSD	CSD	SKD

Key: High Medium Low

Note: CSD = Corporate Services Department; CSSG = Corporate Services Support Group; ERG = External Relations and Governance Department; FOD = Financial Operations Department; PMD = Programme Management Department; SKD = Strategy and Knowledge Department.

18. The heat map shows the numerical distribution of all proposed use cases across IFAD departments, categorized by impact area (level of concentration by department is indicated by colour). This is a business-driven analysis: the proposals came from IFAD staff and the scope is not driven by technologists. The approach combines a deep-dive on the analysis with hands-on implementation of identified pilots by teams composed of business owners and technical resources. The automation pilots aim to introduce technologies and skills not currently available at IFAD in a phased approach that is business-driven and hands on.

19. Examples of transactional use cases

- (i) **Automation of support requests and ticketing.** In IFAD, 18 units provide support services, with 165 designated business staff as support contacts. The proposal is to have several channels of support via automation technologies, including voice response-based platforms such as Alexa and Siri, providing answers around the clock to the most frequently asked questions. Automating the response to such requests would facilitate a faster response time while ensuring 24/7 feedback, a key aspect in the decentralized IFAD context.

Similarly, responses to frequent questions from external users in governments and projects on the IFAD Client Portal could be supported via automation technologies allowing IFAD staff to focus on those requests that require investigation or expert attention. This would provide a more responsive service to IFAD clients with faster turnaround for simple requests.

- (ii) **Automatic upload of operational data into the Operational Results Management System (ORMS).** ORMS is the system of reference for managing and tracking project-related information and generating official documents such as supervision reports. After each mission, the mission lead collates all information provided by consultants into a structured template for insertion into ORMS. This use case proposes the automation of the related uploads, removing manual effort and recurrent tasks to allow programme assistants to focus on quality assurance of the supervision report.

20. Examples of strategic use cases

- (i) **Detection of red flags in project procurement.** The Office of Audit and Oversight has defined 10 red flags for the detection of fraud or corruption in project procurement. The use case proposes using technologies with cognitive reasoning capabilities to analyse procurement documents for indicators of any of these 10 red flags in order to raise high-priority issues for further scrutiny by procurement officers. Automation has the potential to conclusively deal with capacity issues and consistent global approaches. It also provides a more accurate real-time picture of project procurement compliance, with the ability for conclusive assessments instead of sampling approaches.

- (ii) **Data analytics and geographic information systems (GIS).** GIS is becoming an important tool for IFAD in designing and managing projects, tracking impact and communicating this impact to key stakeholders. One proposed initiative is automating GIS data collection to augment the harvesting of key data assets relating to roads, villages and irrigation infrastructure and monitor land use or coastal changes over time. Taken to the next level, automation allows tapping into disparate data sources to identify patterns and conclusions via the use of artificial intelligence, produce stories and uncover insights as a narrative from data. This technology could support not only the analysis of the IFAD portfolio but also more effective communication of project fundamentals including visualisation of IFAD intervention areas, impact and beneficiary groups.

G. Implications for 2022/2023 recurrent costs

21. **Several members requested additional information on 2022/2023 recurrent costs.** Information on staff costs will not be known until the outcome of the division-by-division SWP exercise. Information on non-staff costs is provided in the table below.

Table 2

2021 incremental regular budget costs

(Thousands of United States dollars)

<i>Activity</i>	<i>Cost</i>
Licence costs for automation pilots (strategic elements)	260
Licence costs for automation pilots (transactional elements)	160
Support for ICO enablement	340
Ongoing system maintenance costs to support people/process workstreams	90
Staff exchange (3-4 staff members)	300
Attracting key talent for highly strategic roles	120
Total	1 270

H. Updated budget proposal

22. **Members requested that the proposed costs be revisited to ensure that all line items are consistent with the People, Processes and Technology Plan.** The overall objective of the plan is to bridge gaps identified by Management in order to maximize IFAD's contribution to the 2030 Agenda. With only 10 years remaining, swift action is needed. Management is aware that the TCI budget line is an exceptional one-time request for funds that is ring-fenced from activities funded through regular resources.
23. Based on feedback received from the Executive Board and Audit Committee, Management has recalibrated the costing proposals to clarify the focus on one-time activity and to respond to feedback on cost level. A comparison between the proposed budget in the first iteration of the plan and Management's updated proposal is provided in the table below.

Table 3
Overall budget estimates: comparison of cost breakdown

Workstream	2020				2021/2022				Totals	
	Original		New		Original		New			
	TCI	Other administrative resources	TCI	Carry forward/capital budget	TCI	Other administrative resources	TCI	Carry forward/capital budget	Original	New
Main activities										
Strategic workforce planning										
Development of divisional SWP plans	320	-	320	-	-	-	-	-	320	320
Targeted upskilling/reskilling	885	-	385	-	915	1 000	665	0	2 800	1 050
Staff separation programme	-	-	500	-	-	-	2 000	1 000	-	3 500
Employee value proposition										
Job audit	-	200	-	200	-	-	-	-	200	200
Review of existing HR arrangements to enhance employee value proposition	100	-	0	-	-	-	-	-	100	0
Performance management										
Support for performance management redesign	100	260	0	250	-	20	-	0	380	250
Dedicated management training and support for supervisors	210	-	100	-	190	-	100	-	400	200
Business process re-engineering										
Implementation of 18 quick wins	-	235	-	235	-	-	-	-	235	235
Implementation of additional 25 recommendations	1 415	-	1 300	-	-	-	-	-	1 415	1 300
Enhancing business process maturity	395	-	350	-	-	-	-	-	395	350
Implementation of remaining recommendations	-	-	-	-	1 130	-	1 000	-	1 130	1 000
Analysis of new business processes	870	-	800	-	-	-	-	-	870	800
Implementation of selected recommendations	-	-	-	-	1 415	-	1 150	-	1 415	1 150
Enterprise Risk Management Framework										
ERMF integration	810	-	600	-	230	-	300	-	1 040	900
Technology										
Implementation of talent management system	450	-	450	-	200	-	165	35	650	650
Implementation of BPR technology changes and solutions	570	-	570	-	100	140	100	140	810	810
Analysis and piloting of automation use cases (transactional)	-	400	-	400	-	-	-	-	400	400
Analysis and piloting of automation use cases (strategic and data-driven)	-	-	-	-	500	160	500	160	660	660
Investment in ICO upgrade (enabler)	100	-	0	100	700	300	500	300	1 100	900
Totals	6 225	1 095	5 375	1 185	5 380	1 620	6 480	1 635	14 320	14 675