

Document: EB 2021/134/R.5
Agenda: 4(a)(ii)
Date: 16 November 2021
Distribution: Public
Original: English

E



Update on IFAD's Decentralization 2.0

Note to Executive Board representatives

Technical questions:

Donal Brown

Associate Vice-President
Programme Management Department
Tel.: +39 06 5459 2448
e-mail: d.brown@ifad.org

Jyotsna Puri

Associate Vice-President
Strategy and Knowledge Department
Tel.: +39 06 5459 2109
e-mail: j.puri@ifad.org

Guoqi Wu

Associate Vice-President
Corporate Services Department
Tel.: +39 06 5459 2880
e-mail: g.wu@ifad.org

Charles Tellier

Chief of Staff and Director
Office of the President and Vice-President
Tel.: +39 06 5459 2038
e-mail: c.tellier@ifad.org

Edward Gallagher

Lead Officer
Change, Delivery and Innovation Unit
Tel.: +39 06 5459 2484
e-mail: ed.gallagher@ifad.org

Juan José Leguía

D2.0 Project Manager
Tel.: +39 06 5459 2539
e-mail: juan.leguia@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra

Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Executive Board — 134th Session
Rome, 13-16 December 2021

For: Review

Contents

I. Introduction	1
II. Rationale for Decentralization 2.0: a value-driven reform	1
III. Learning and evolving from OpEx	4
IV. Budget	8
V. Progress update	10
VI. Phasing and next steps	11

Appendix

Indicative maps

Abbreviations and acronyms

APR	Asia and the Pacific
CAS	conflict-affected situation
CD	country director
CLE	corporate-level evaluation
CPO	country programme officer
D2.0	Decentralization 2.0
DoA	delegation of authority
ESA	East and Southern Africa
FCS	fragile and conflict-affected situations
FMD	Financial Management Services Division
FPPP	Field Presence Programme Pilot
FSU	Field Support Unit
GS	General Service
ICO	IFAD Country Office
IFAD12	Twelfth Replenishment of IFAD's Resources
IFI	international financial institution
LAC	Latin America and the Caribbean
OpEx	Operational Excellence for Results
ORMS	Operational Results Management System
PCR	project completion report
PMD	Programme Management Department
pp	percentage points
RO	regional office
SD	standard deviation
WCA	West and Central Africa

I. Introduction

1. IFAD's decentralization began with the original Field Presence Pilot Programme (FPPP), implemented during the 2004–2007 period. It established 15 IFAD Country Offices (COs) and was managed by the Programme Management Department (PMD). Taken together, the results of the Direct Supervision Pilot Programme and the FPPP, as well as the evaluations of both programmes,¹ by the Independent Office of Evaluation of IFAD (IOE), provided the basis for IFAD's full Country Presence Policy and Strategy, approved by the Executive Board in 2011 and later revised into the IFAD Country Presence Strategy (2014–2015).
2. By 2016, IFAD's country presence had expanded to over 40 offices. However, in the same year, a second IOE evaluation of IFAD's decentralization experience found that while the Fund had opened a large number of COs, headquarters had remained largely the same. Processes and decision-making authority also remained highly centralized. In other words, IFAD's expanded country presence had not been accompanied either by a decentralization of processes or a delegation of authority (DoA).
3. In 2017, Management began a comprehensive exercise entitled Operational Excellence for Results (OpEx) to implement decentralization more comprehensively and to begin embedding a culture of change and enhanced delivery at IFAD. Since then, IFAD's country presence model has been revised significantly based on lessons learned, resulting in the number of staff based in the field being more than doubled, the reorienting of headquarters and the revision of DoA.
4. Other international financial institutions (IFIs) and United Nations agencies – including the Rome-based agencies – remain ahead of IFAD in their decentralization efforts, with 40 to 90 per cent of their staff in the field. A common element emerging from benchmarking these institutions is that decentralization is an ongoing, iterative learning process where value for money is continuously improved by finding the right balance for the institution between proximity to clients and economies of scale. They are key factors that may evolve over time in response to changing client needs, shifts in the external context, and the growth and evolution of the institutions themselves.
5. Experience from OpEx, combined with lessons from the last 18 months, point in the same direction as at other IFIs: decentralization is a continuous process of change in which models must evolve to integrate lessons learned and respond to new challenges and opportunities.

II. Rationale for Decentralization 2.0: a value-driven reform

6. IFAD aims to double, from 20 to 40 million, the number of people achieving higher incomes every year as a result of IFAD's intervention. That requires doing development differently. It calls for more agile learning processes and adaptive management practices to iteratively respond to ever-evolving challenges and opportunities, which can only be fully captured on the front line. Decentralization, therefore, is at the centre of the Twelfth Replenishment of IFAD's Resources (IFAD12) institutional pillar, driving a transformational approach and enabling systemic change in countries through increased proximity and adaptability.
7. The corporate-level evaluation (CLE) on decentralization (2016) confirmed that IFAD's increased country presence has indeed contributed to improved performance of country programmes and increased partnership-building. The CLE also acknowledged that the contribution of decentralization to knowledge management and policy engagement has been limited. Absence of a platform or brokering

¹ Links to corporate-level evaluations: [Direct Supervision Pilot Programme](#) and [Field Presence Pilot Programme](#).

mechanism to facilitate access to knowledge and analytical products, as well as inadequate incentives and staff capacity, appeared to be the main constraints.

8. Table 1 shows the overall project achievement average ratings in countries with,² and those without, ICOs for the period 2003–2021. Consistent with findings from the CLE 2016, on average, countries with ICOs performed better by 0.32 points (37 per cent of one standard deviation). This country presence “dividend” is bigger for countries with fragile and conflict-affected situations (FCS), where the difference is 0.41 (52 per cent of one standard deviation [SD]). Among projects rated as “very satisfactory”, countries with ICOs have shown better results than countries without them, where a difference of 13 percentage points (pp) is seen. In countries with FCS, the difference is as high as 19 pp (doubling the proportion of very satisfactory projects). Also, when looking at the percentage of projects rated as “very unsatisfactory”, again, countries with ICOs perform better, especially in countries with FCS where the proportion of projects with very unsatisfactory overall achievement is zero.

Table 1
The country presence “dividend”, 2003–2021

A. Project completion report (PCR) overall project achievement ratings (average)			
	With ICO	Without ICO	Difference
IFAD	4.42	4.10	0.32 (+37% SD)
Countries with FCS	4.29	3.88	0.41 (+52% SD)
B. PCR overall project achievement ratings (greater than or equal to 5)			
	With ICO	Without ICO	Difference
IFAD	50%	37%	13 pp
Countries with FCS	40%	21%	19 pp
C. PCR overall project achievement ratings (less than or equal to 2)			
	With ICO	Without ICO	Difference
IFAD	1%	7%	6 pp
Countries with FCS	0%	8%	8 pp

Source: Operational Results Management System (ORMS) (as of 12 October 2021).

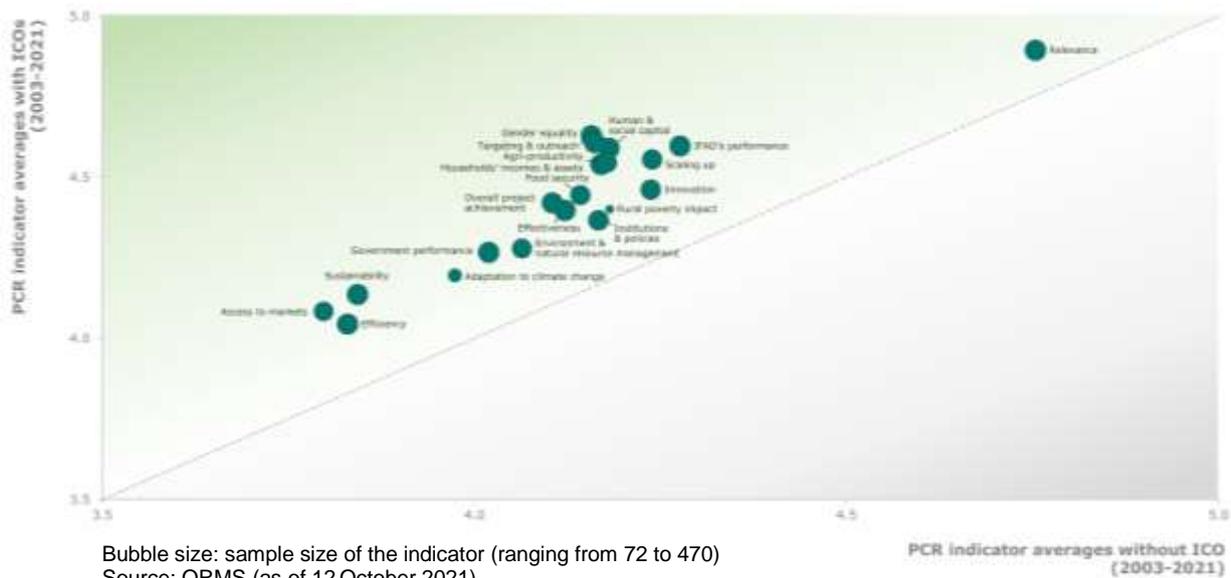
IFAD – Completed projects from January 2003 to June 2021 with PCR disclosed. With ICOs – 206 observations, and without ICOs – 257

Countries with FCS – Completed projects from 2005 to 2020 with PCR disclosed. With ICOs – 35 observations, and without ICOs – 48

9. Importantly, this strong empirical association is present not only for “overall project achievement” but also for all performance dimensions in the PCR, including sustainability and scaling up, two key areas for IFAD¹². Figure 1 shows that for each PCR performance dimension, on average, projects implemented in a country with an ICO perform better than those implemented where IFAD has no country presence.

² Following the same approach as in the CLE 2016, PCRs from countries with ICOs are considered whenever project completion was achieved at least two years after ICO was established.

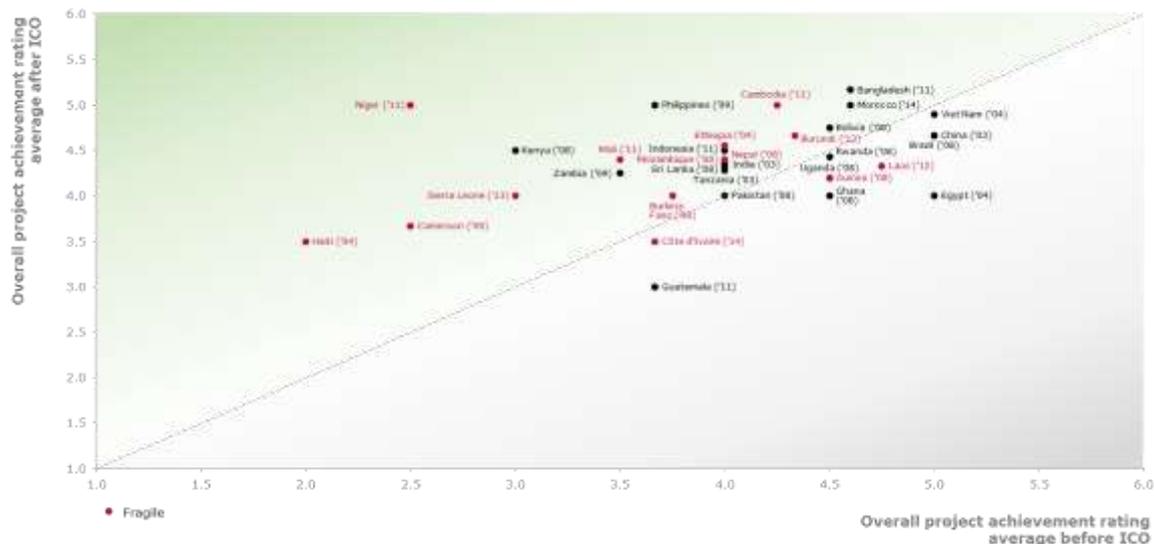
Figure 1
Country presence and all PCR performance dimensions



Bubble size: sample size of the indicator (ranging from 72 to 470)
Source: ORMS (as of 12 October 2021).
IFAD – Completed projects from January 2003 to June 2021 with PCR disclosed.

- There are indeed many other country-specific and time-invariant factors associated with both overall project achievement and IFAD’s country presence. Figure 2 illustrates what happens over time in terms of overall project achievement when an ICO is established. Out of the 33 countries included in the sample, 22 performed better after the establishment of an ICO. When we only look at countries with FCS, close to 80 per cent performed better after an ICO was set up. Far from attempting to prove a causal relationship, this clear empirical association between country presence and overall project achievement, especially for countries with FCS, forms the basis for developing a theory of change that will have to be iteratively tested as part of IFAD’s learning journey towards becoming an effective field-based institution.

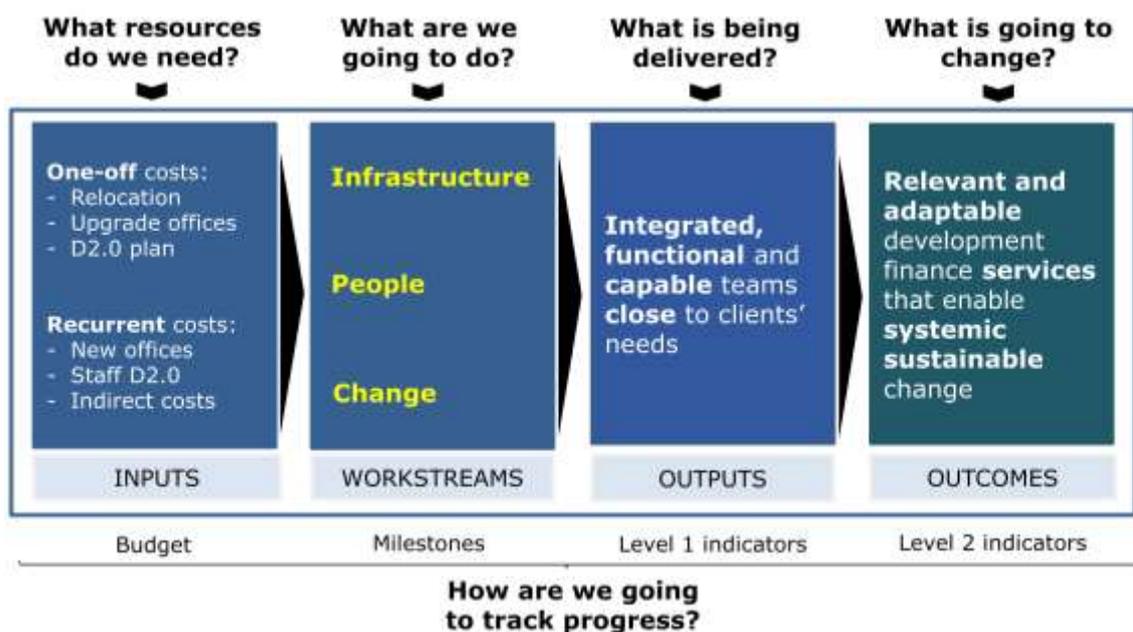
Figure 2
Overall project achievement and country presence (years of establishment)



Source: ORMS (as of 12 October 2021).
33 countries (out of which 14 are fragile). Country considered as in FCS after at least one year on the World Bank’s harmonized list of fragile situations.
Completed projects from January 2003 to June 2021 with PCR disclosed. With ICOs – 78 observations, and without ICOs – 164. Total: 242

11. Figure 3 illustrates the logic model of Decentralization 2.0 (D2.0) and how moving closer to IFAD's clients would translate into significant outcomes. D2.0 main deliverables are integrated, functional and capable teams on the front line, close to IFAD clients' needs. "Integrated" refers to the fact that D2.0 is an IFAD-wide initiative involving all divisions whose roles are needed in the field, along with smoother planning and coordination among those divisions. The right combination of these roles and skills will be conducive to strengthening ICO functions, namely country programme support, country-level policy engagement, knowledge management, partnership-building, South-South and Triangular Cooperation, and corporate engagement. Finally, ICOs will have to be adequately staffed (i.e. with the right capacity) so that increased integration, functionality and proximity can translate into relevant results. The activities needed are grouped around three workstreams:
- (i) **Infrastructure:** metrics-based ICO map, setting up new offices, headquarters systems and processes.
 - (ii) **People:** positions map, organigrams, staffing criteria, reviewing job profiles, recruiting, relocating and reassigning.
 - (iii) **Change:** engaging staff along the process with clear communication and various spaces for feedback loops.

Figure 3
Logic model of D2.0



III. Learning and evolving from OpEx

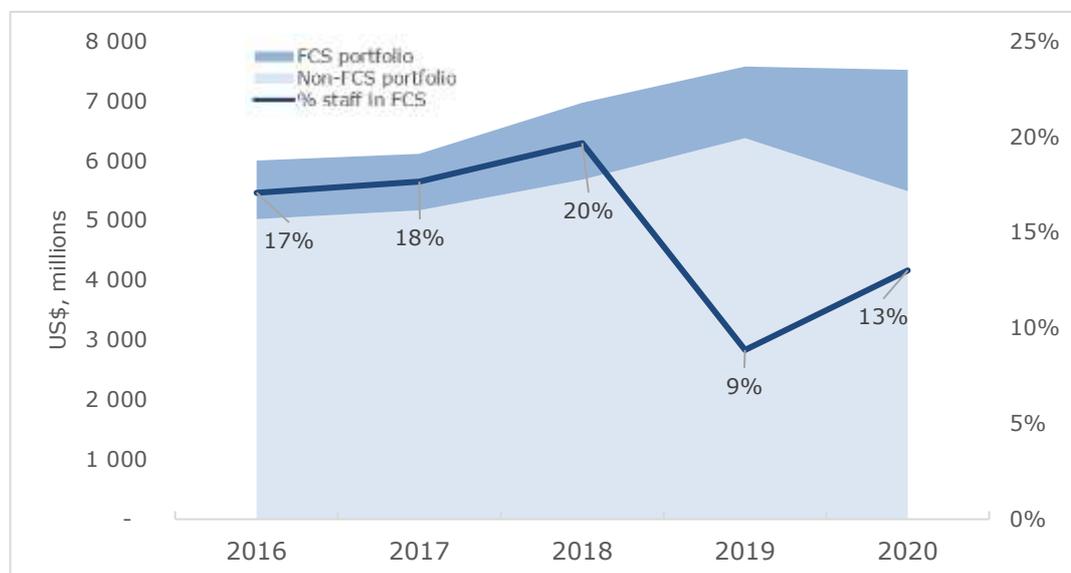
12. In 2018–2019, 14 hubs were visited as part of an independent internal review process led by the Change, Delivery and Innovation Unit to draw lessons and feed these into an updated decentralized structure to ensure IFAD is fit-for-purpose for its future vision and strategic direction. D2.0 builds heavily on, and responds to, four key takeaways from this experience, as well as emerging lessons from the experience of the past 18 months:
- (i) **Increased country presence.** Staff being located in a hub but managing a nearby country was perceived as neither effective nor efficient compared to in-country presence. Throughout the 14 visits and various interviews with staff, it became clear that hubs were seen as most effective only for the host country, while offices led by a country director (CD) were seen by many as

best to cover the combination of supervision, policy and partnership, as well as being the most cost-effective. The outbreak of COVID-19 also provided an important example of how in-country staff were able to continue to support government partners and projects more effectively than those in other countries, who were unable to travel.

The response of D2.0 is to **open and deepen IFAD's country presence by going from 40 to 50 ICOs**. Increased country presence and delivery capacity should be targeted to, and aligned with, current and future resource allocation and development gaps, as well as the increased focus on countries with FCS. The case for the latter is particularly strong as there are currently about 1.8 billion people worldwide living in fragile or conflict-affected environments (and 2.3 billion projected by 2030).

Accordingly, IFAD12 will respectively allocate 50 per cent and 25 per cent of core resources into sub-Saharan Africa and countries with FCS. Already, from 2016 to 2020 the share of IFAD's active project portfolio in FCS almost doubled, going from 16 per cent to 27 per cent. Nevertheless, the percentage of IFAD field staff in FCS decreased over the same period (see Figure 4).³ There is hence a need to match this increasing focus on FCS with greater staff capacity and stronger country presence, as well as additional resources to safeguard IFAD staff security and assets.

Figure 4
Active project portfolio and percentage of field staff in countries with FCS



Source: Grants and Investment Projects System, PeopleSoft Human Resources and World Bank's harmonized list on countries with FCS

Consequently, a metrics-based and forward-looking approach has been defined to prioritize where to open or upgrade an ICO. The D2.0 team used variables related to portfolio size, future business, fragility, poverty and hunger to perform a comprehensive ranked assessment of preferred ICO locations. This quantitative analysis was complemented with discussions with regional directors focusing on the potential for partnerships and policy engagement, as well as a conducive environment for IFAD's activities and operational feasibility.

The new ICO map would increase the proportion of CD-led offices from 55 per cent to 74 per cent (through opening four new CD-led offices and upgrading

³ This is mainly explained by total field staff increasing, with the number of field staff in FCS falling over the same period. The latter was due to a reclassification of some countries with IFAD staff as non-FCS (e.g., Sierra Leone, Côte d'Ivoire).

12 offices from country programme officer [CPO]-led to CD-led). At the same time, the share of total portfolio being handled from ICOs would rise from 72 per cent to 82 per cent. Moreover, in line with IFAD12's increased focus on FCS, almost half of new and upgraded offices were selected among the list of fragile countries, and close to 70 per cent in sub-Saharan Africa.

- (ii) **Regional office model.** Technical staff were spread thinly over hubs, limiting the space for quality interactions and greater knowledge and know-how cross-fertilization. Benchmarking analyses at various IFIs and United Nations agencies concur that a critical mass of technical expertise in decentralized locations is much needed. Having all technical staff and the PMD team in the regional office (RO) will significantly address the weaknesses highlighted by the 2016 CLE in terms of how decentralization can contribute to non-lending activities. A critical mass of the Strategy and Knowledge Department staff would be closer to regional challenges and provide substantive technical capacity to policy engagement and advisory activities. The presence of the PMD regional team (including the knowledge management champion in the region) would ensure that there is easy access to knowledge resources and efforts are systemically harmonized with IFAD's corporate-wide knowledge management architecture and strategy.

Importantly, critical mass matters not only for streamlining internal processes and increased effectiveness but also for improving the perception of IFAD's relevance in furthering rural transformation. Recent reforms have helped significantly improve external assessments of IFAD's organizational performance and processes (IFAD was ranked first in the world by the Multilateral Organisation Performance Assessment Network and the Quality of Official Development Assistance Assessment). However, IFAD's limited presence in-country, including in key hubs, means the Fund is not yet available or visible enough to other stakeholders on the front line.

D2.0 responds by proposing ROs with integrated teams as an evolution from the hub model. Led by the regional director, the ROs will host the entire PMD regional team and all existing and new staff from all departments to be based in the region. The regional director will ensure that IFAD's operations promptly and strategically respond to the evolving regional context and rural policy priorities while maximizing value for money and efficient use of resources. Importantly, there will be a regional operations officer as the entry point for all corporate services support: they will also provide field support to ICOs in the region and ensure the well-functioning of the office. General Service support will be provided directly in the RO by locally recruited General Service (GS) staff and routine administrative support revised and streamlined so that all staff in the RO are well supported. Dual reporting will be strengthened to better integrate and take advantage of synergies from having teams from various departments represented in one location, with a regional focus.

The RO will provide a wide range of services, including programmatic support to country teams, strengthened communication and visibility, cross-departmental coordination, and risk management and compliance. The location of the ROs across the world will be based primarily on where IFAD can best forge partnerships to visibly lead rural policymaking, scale up the new and innovative components of its business model, and assemble development finance in the region. In addition, and apart from security and family life considerations, an RO must be conveniently located to ensure an efficient cost of doing business (e.g. connectivity, minimum travel time and cost).

Multi-country offices will also play an important role in D2.0 as centres that both efficiently lead important subregional programmes (e.g. Sahel) or handle various portfolios with increased economies of scale and leverage the experience and know-how of seasoned CDs to mentor less-experienced colleagues and junior staff.

- (iii) **Empowered front line and strong headquarters.** IFAD's decentralization structure has been questioned as top-down and concerns remain about lack of empowerment and DoA, which although it has been substantially broadened, is still inconsistently implemented across regions. There is an expressed desire from staff for DoA to be cascaded lower down. By the same token, as the locus of the organization changes to the field, a more fit-for-purpose centre in headquarters is also fundamental so that strategic direction, support tools and guidelines are permeated all the way down to the front line. Similarly, information must smoothly flow back from the field to headquarters for timely and comprehensive corporate reporting and institutional decision-making. The D2.0 response includes the implementation of a revised DoA Framework and restructuring and optimization of headquarters.

In 2021, IFAD implemented bold new changes to empower staff, strengthen workplace culture, and further delegate authority to CDs and unit heads. Forty-three new or revised delegations were issued in operations, procurement, human resources, finance/budget and governance/protocol, following extensive consultations, notably with CDs. Some key changes include: sub-delegation, allowable to middle managers at the P-3 or National Office C grade level; procurement authority to CDs and heads of units increased; local hiring, now fully under the control of the decentralized divisions concerned; travel exceptions can be made by decentralized divisions and further empowerment of the CD as the main interlocutor with government partners. A suite of new tools, including digital e-forms, was also created to allow any IFAD personnel to request DoA changes or interpretation – allowing a streamlined review process and update of DoAs rapidly and as a living process. Accountability was strengthened through a new annual digital certification procedure for every delegee and sub-delegee attesting to adherence to the updated Accountability Framework and DoA Framework. Awareness of the new DoAs has been raised through presentations to 15 divisions reaching over 500 IFAD personnel, while an online training course is being developed for launch in early 2022. Monitoring of DoA implementation will be performed by the FCD's Controllership Unit, which will report to Senior Management on results.

National officers are key staff on IFAD's empowered front line and will have a predominant role in D2.0. Increasing the number of ICOs and the share of CD-led offices, as well as keeping the ratio of national officer to Professional staff stable in the RO, will also allow IFAD to recruit and make more use of national staff. The aim is to both utilize their knowledge, networks and understanding of country contexts and policy priorities and increase institutional continuity. At the same time, interaction with CDs and regional staff and their work will give national officers more opportunities to grow as international development professionals.

Restructuring of headquarters not only means relocation of operational and technical Professional staff (e.g. PMD, Strategy and Knowledge Department) and creating GS positions in the field but also rethinking how corporate services and the Corporate Services Support Group stay relevant in IFAD's new decentralized structure. Apart from restructuring headquarters, IFAD needs to put in place systems and processes to ensure close (virtual) linkages between the field and headquarters. In that sense, COVID-19 has helped accelerate the transition to paperless processes, automation and software

which allow information exchange, knowledge, approvals and clearances to be provided more easily when staff are on the go. Other reforms at IFAD are already aligned to D2.0 and working towards enabling an environment of increased collaboration and engagement.

- (iv) **Managing change.** Drawing on the lessons learned during the OpEx’s process, D2.0 is committed to a people-focused, open approach based on clear, consistent and transparent two-way communication. The structure of D2.0 was created with staff involvement in mind, by both having two Associate Vice-Presidents and the Chief of Staff as “executive sponsors”, and setting up a governance structure that would facilitate staff engagement. For instance, the D2.0 Implementation Group includes all directors of “user” and “enabler” divisions as well as the IFAD Staff Association.

Moreover, D2.0 information is not only shared in formal corporate gatherings, but also in more informal discussions. People need to hear from, and be able to share freely, their thoughts and concerns, with people who know them well and whom they trust – middle management and functional leaders. This ensures decentralization is rolled out in a way that takes into account the human aspects of the reform and is sympathetic to individual circumstances.

IV. Budget

13. D2.0 is not cost-neutral. Current estimates for one-time and recurrent costs (net of savings) amount to US\$12.3 and US\$6.4 million respectively. In line with IFAD12 and the Executive Board’s focus, the main cost drivers are linked to engagement in Africa and countries with FCS.⁴ However, this is where most of the opportunities and challenges are and hence most of the costs and investments.

Table 2

One-time and incremental recurrent costs (build-up of yearly marginal increases), by year and key items

(Millions of United States dollars)

	Total	Expected phasing		
		2021	2022	2023/24
One-time costs				
RO set-up (includes interim arrangements)	3.34	0.35	2.53	0.46
Upgrading and establishment of ICOs	3.86	0.36	1.81	1.69
Staff relocation	3.20	0.40	1.75	1.05
Security	0.47	-	0.16	0.31
D2.0 project support	1.37	0.26	0.56	0.56
Total one-time costs	12.25	1.37	6.81	4.07
Incremental recurrent costs				
RO running costs	3.57	0.07	2.13	1.37
ICO running costs (staff and facilities)	3.41	0.15	2.20	1.06
Staffing costs (net savings)	(1.68)	0.18	0.13	(1.99)
United Nations costs and other	1.11	-	0.51	0.59
Total recurring costs	6.41	0.41	4.97	1.03

14. To provide a brief overview of the elements of the above budget, the key drivers of the one-time and recurrent cost items are listed below.

One-time costs

- RO set-up refers to expenses associated with the ROs’ establishment, including information and communications technology (ICT), security, furniture, fittings and accessories, among others.

⁴ For instance, in countries with conflict-affected situations (CAS), CD compensation is 28 per cent higher, and setting up an office between 38 and 15 per cent more expensive, depending on the intensity of the conflict.

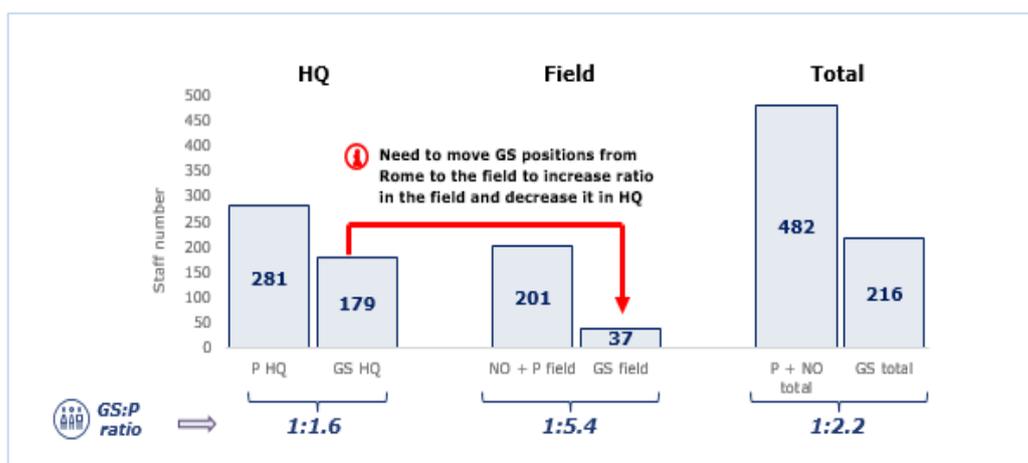
- Upgrading and establishing ICOs includes costs to set up four new CD-led offices and six new CPO-led offices, as well as to upgrade 12 ICOs from CPO-led to CD-led.
- Staff relocation consists of outposting expenditure, which was estimated using the United Nations average cost of US\$50,000.
- Security costs include the purchase of a recommended bundle of extra security items for countries with CAS.
- The D2.0 project support refers to one D2.0 project manager and five consultants.

Incremental recurrent costs

- ROs and ICOs running expenses are mainly associated with higher facility costs due to new or upgraded offices (such as rent, utilities, and ICT services), as well as staff costs, in the case of ICOs.
 - Instead, staffing costs include the cost differential of higher average Professional staff compensation in ROs when compared to headquarters, and the cost of the Corporate Services Department's regional operations officers for ROs. Savings stem from abolishing certain GS staff positions in headquarters and replacing them in ROs, and from keeping the national officer to Professional staff ratio stable.
 - United Nations costs consist of higher United Nations Department of Safety and Security charges for increased field staff presence and Resident Coordinator expenses.
15. It is also important to highlight that while D2.0 is not cost-neutral, there are some changes that will result in significant savings for the organization. For instance, as GS staff positions are moved to the field to support Professional staff in ROs, this will translate into estimated savings of US\$1.7 million in annual recurrent costs. Moving GS staff positions to ROs will also rebalance the GS to Professional ratio between the headquarters and the field (see figure 5).

Figure 5

Professional and national staff in headquarters and field (2021)



Source: PeopleSoft Human Resources

16. Similarly, keeping the national officer to Professional staff ratio constant in the field would imply having more national officers than there would have been had IFAD kept the same field model and planned workforce growth. Moreover, thanks to an increased staff presence in-country, shorter travel distances for supervision and design missions will be possible, with savings stemming from increased national rather than international travel. Furthermore, better deals for new and enhanced

premises are being negotiated, including free rent for new offices. For ROs, these have already been agreed in West and Central Africa (WCA), but discussions are also in place in East and Southern Africa (ESA) and Asia and the Pacific (APR) ROs, as well as some ICOs.

V. Progress update

17. The focus in 2021 has been on finalizing the design of D2.0 and taking first important steps in Africa. The intention of becoming a field-based institution is already reflected in the new headquarters-field workforce split and the corresponding trend of staff in the field increasing by four percentage points per annum (from 32 per cent to 36 per cent), as envisaged in the implementation plan. It is also broadly on track towards the 45 per cent target. Key foundational milestones achieved so far are:
- (i) **Regional offices.** Locations and office premises for long-term and interim arrangements in WCA and ESA have been confirmed. Offices will be ready and regional directors with their teams relocated by year-end. Also, recruitment of new front-office staff and Field Support Unit (FSU) regional operations officer positions have been fast-tracked. Finally, a decision on RO location in APR is expected by year-end. A decision on the Latin America and the Caribbean (LAC) RO and the appropriate type of country/institutional footprint will be made in 2022 following a review of IFAD's comparative advantage, future offer and direction in LAC (see box 1).
 - (ii) **ICO and position map.** Countries prioritized for opening and upgrading ICOs have been endorsed. This provides a complete picture of all CD-led, CPO-led multi-country offices and ROs in the field and helps to set up and staff offices with the Human Resources Division and FSU. The list will be revised annually and updated if needs be, depending on budget constraints and evolving priorities. In addition, final results from the dynamic workforce planning and job audit fed into the D2.0 position map, a management tool to timely deliver on recruitment, reassignment and relocation of staff according to the D2.0 model and schedule.
 - (iii) **GS transition.** A number of support measures have been introduced for GS staff based in headquarters who encumber positions that are being abolished as new positions in the field are being created. To ensure the availability of a pool of positions to accommodate the affected staff, in October 2020 a freeze on external recruitment against vacant GS positions was introduced. Exceptional measures were implemented in August 2021 to allow for transfers of impacted GS staff to vacant positions at the same grade, and prioritization of applications of these impacted staff in all recruitment processes for GS positions. Additionally, redundancy provisions and the 12-month time-in-post rules have been temporarily suspended for all impacted staff.

A three-year GS transition plan has been designed detailing the total number of impacted staff, broken down by grade level and job family. Also detailed is the total number of positions expected to become vacant either through natural attrition or voluntary separations, or because they have been newly created. Additionally, a special reserve is being used to place incumbents on temporary assignments in cases where an alternative position has not been identified before the expected date of abolishment of the positions encumbered. This tailored approach allows the Fund to anticipate effective workforce management needs over the medium term to ensure retention of existing talent essential for IFAD's business transformation.
 - (iv) **Governance and monitoring.** D2.0 decision-making, problem-solving and communication spaces have been secured through various delivery routines. They involve the D2.0 Implementation Group, quarterly updates to the

Executive Management Committee, steering committee meetings with implementation leads, plus ad hoc and general interactions and reporting mechanisms. This addresses the governance and monitoring gaps present in previous decentralization efforts, as pointed out by the 2016 CLE.

VI. Phasing and next steps

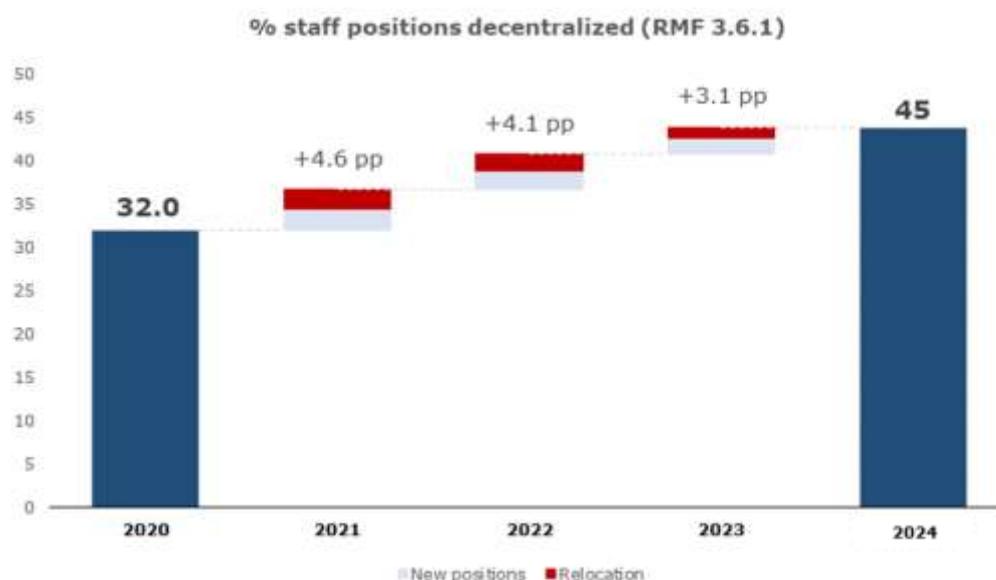
18. D2.0 has been sequenced in three phases:

- (i) **Design and initial transition (2021).** The PMD regional teams are expected to start moving to Abidjan and Nairobi and a decision on the APR RO location is made by year-end. The emphasis in 2021 was on completing the design of the reform, including the ICOs and position map (organigram), planning and kick-starting the GS transition, setting up the D2.0 governance structure and preparing and confirming the budget.

The next immediate key steps for D2.0 are:

- Decision on APR RO location.
 - Set up office interim arrangements, with staff relocated in Abidjan and Nairobi.
 - Ensure right balance between smooth transition of all GS impacted and business continuity, with optimal onboarding/training of new field staff in front offices.
 - Confirm D2.0 final position map (starting with Abidjan and Nairobi), giving predictability to all staff relocation, reassignment and recruitment.
- (ii) **Fine-tuning integrated teams and country presence (2022).** The set-up of the APR RO starts mirroring that of ROs in Africa. The first lessons learned from experience in Africa feed into the LAC structure and RO location, based on the new LAC vision and offer (see box 1). All human resources activities related to reassignment, relocation and recruitment for D2.0 and supported by dynamic workforce planning take place. An affordable number of new country offices are opened and existing offices are upgraded, with priority to WCA/ESA; international non-PMD staff start moving to ROs.
- (iii) **Finish line (2023/2024).** In 2023, WCA/ESA start operating with the full D2.0 structure. The relocation of international staff in APR/LAC ROs is finalized. The remaining ICOs are upgraded and opened.

Figure 6
Expected trajectory of staff decentralized



Box 1

IFAD's decentralization and LAC

As mentioned in section 2, the country presence “dividend” is much more evident in countries with FCS and weak institutions. A decentralization model in which IFAD expands with a number of ICOs to support programme design and implementation might not be the most cost-effective option in a region where there is a significant number of upper-middle-income countries. The LAC region will benefit from lessons drawn from unfolding D2.0 in Africa and Asia as the right balance of proximity and economies of scale continues to be sought in each region.

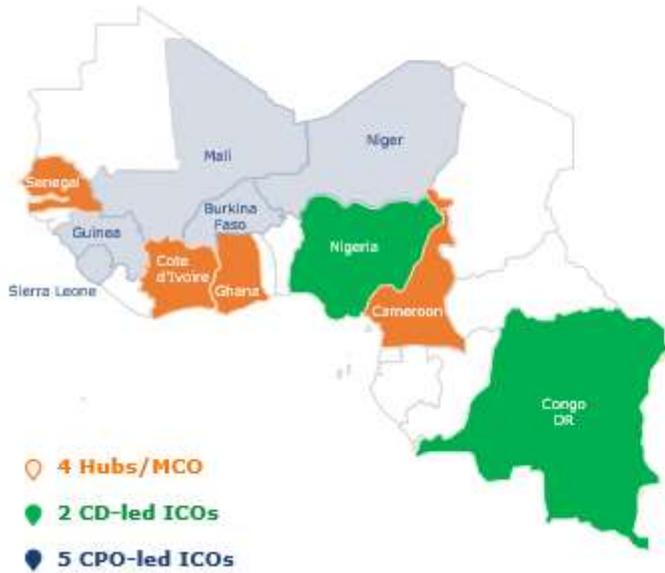
As a first step in the D2.0 map, the Haiti CPO-led office has been upgraded to CD-led with the adequate staffing and equipment. This is also in response to the growing operational programme in the only country with FCS in LAC with an IFAD-funded programme. The majority of countries with an operational programme in LAC are upper-middle-income countries and some of them are on the path to graduation in line with IFAD's recently approved policy. IFAD's programmes will change in response to smaller financing resources, and non-lending activities should therefore become more prominent as a way of supporting rural policy agendas. D2.0 for LAC should respond with a different model, taking into account the following:

1. **Partnerships.** IFAD alone will not solve the multidimensional rural poverty problems in the LAC region. Some LAC countries still require sizeable investments in their rural areas so that large cofinanciers like the World Bank, the Inter-American Development Bank, the Central American Bank for Economic Integration and the Green Climate Fund, among others, are needed. Furthermore, solving rural development issues like subnational development, migration, gender and racial income inequality and financial inclusion, among others, requires IFAD to partner locally with technical institutions that have accumulated extensive knowledge in each country. In LAC this could mean securing partnerships with think tanks, innovation labs and/or research centres, through seconding staff to these institutions, leveraging IFAD know-how and feeding into IFAD's technical, advisory, policy engagement, South-South and Triangular Cooperation and lending activities.
2. **Inequality.** In spite of significant progress in recent decades, LAC countries are more unequal than countries in other regions with a similar level of development. Not only is inequality wide, but rural poverty rates have remained persistently high and account for a large share of extreme poverty. IFAD has a strong reputation for supporting different governments with well-targeted and well-designed projects that address rural poverty. However, there is still a long list of things to be done to achieve full development, particularly in the rural sector but LAC counties are finding it hard to advance. If IFAD wants to remain relevant and supportive in the region, its supply of instruments will have to change as lending instruments become less available. Supporting rural poverty reduction will require the ability to influence policymakers and keep close to the centre of government, where decisions are made. The decentralization model for the region should facilitate policy engagement and technical assistance programmes.
3. **Innovation.** As many LAC countries transition from an efficiency- to an innovation-driven economy, investment and partnerships for increased technological, social and governance innovation will be on the agenda. Indeed, other IFIs have made significant investments in rural innovation programmes, which are policy priorities in many LAC countries. IFAD, however, only allocates 3.5 per cent of its programme of loans and grants to innovation activities. In that connection, the last CLE on innovation (2020) indicates that IFAD should increase funding and have a more comprehensive operational framework to bundle innovations so that these are more transformative. Innovation hubs are developing through the LAC region following national policies or funding schemes seeking to foster an enabling environment. IFAD could work through these national innovation systems, funding and promoting the rural development agenda so it becomes embedded in local endeavours.
4. **(Impact) investment.** Working with the private sector should be a top priority in LAC. Not only does private sector development go hand in hand with proven food systems and reducing poverty and hunger, but more and more private investors are interested in channelling significant amounts of funds directly to policies and programmes with climate, social and governance goals. Total impact investment assets under management in LAC are estimated by the Aspen Network of Development Entrepreneurs at around US\$5 billion, showing a strong capital increase in the last decade. Impact investing can be carried out wherever there is already in place a strong institutional and legal framework to facilitate these deals (e.g. well-established public-private partnerships) and good information systems and tools to verify and “pay for success” (e.g. social impact bonds). Consequently, IFAD's private sector expertise should be concentrated in key locations where there is a critical mass of impact investors along with sound impact investing foundations like Brazil, Mexico and Peru.

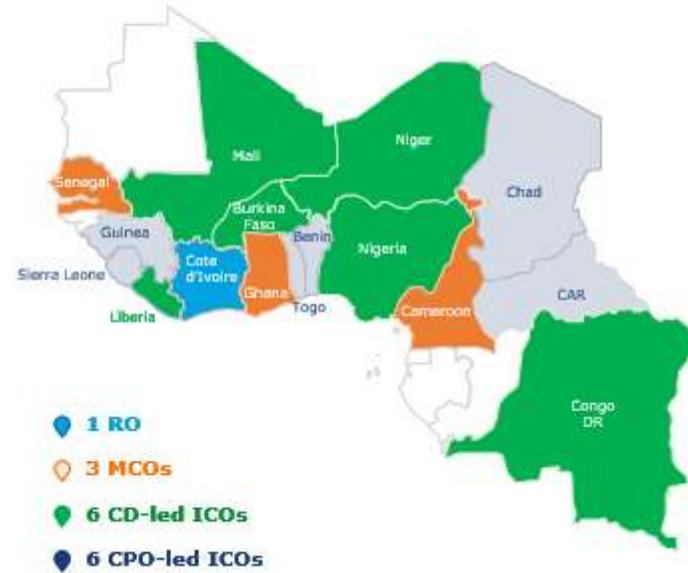
Indicative maps (Africa and Asia and the Pacific)

1

WCA - Current map with all ICOs



WCA - Indicative map with all ICOs



ESA - Current map with all ICOs

- 3 MCOs
- 8 CPO-led ICO



ESA - Indicative D2.0 map with all ICOs

- 1 RO
- 2 MCOs
- 6 CD-led ICOs
- 4 CPO-led ICOs



APR - Current map with all ICOs



APR - Indicative D2.0 map with all ICOs

