



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Fifth Session

Rome, 22-23 April 2002

PROGRESS REPORT ON THE
PROCESS RE-ENGINEERING PROGRAMME
(STRATEGIC CHANGE PROGRAMME)

I. BACKGROUND

1. In adopting Resolution 116/XXIII at its Twenty-Third Session in February 2000, the Governing Council approved a capital budget of USD 26.0 million for a Process Re-Engineering Programme (PRP) for financial years 2000 to 2005. The President was authorized to appropriate the first tranche in the amount of USD 1.3 million (5% of the overall budget) for detailed programme design. Subsequent tranches were to be appropriated upon presentation of the President's report to the Executive Board on the use of the previous tranche and the Board's approval of a plan for the use of the next tranche.

2. The President was requested to report progress on the PRP at annual sessions of the Governing Council and to provide a final report at the February 2006 Session.

3. At its Seventy-First Session in December 2000, the Board reviewed the report on detailed design of the PRP (document EB 2000/71/R.9) and approved the next tranche. Expenditure was USD 15.5 million, for implementation of five business processes from 2001 to 2003:

- strategy and finance;
- human-resource management;
- information technology;
- support services; and
- knowledge management.

II. PROGRESS TO DATE

4. Before implementing the business processes, IFAD's readiness for change had to be assessed and a strategy defined for change management. These activities, undertaken by the programme management unit (PMU) between July and November 2001, were assisted by a consultant and involved staff at large.



5. The main conclusion was that although staff believe that IFAD needs to change, the process must be credible for them to engage in it. The PRP design phase had not resulted in a clear view of strategic objectives nor defined the kind of organization IFAD should be in future. In particular, further clarification was needed of the elements focusing on modernization to achieve greater efficiency and those focusing on effectiveness to increase the impact of the Fund's programmes.
6. The PRP should be aligned with the Strategic Framework for IFAD (2002-06) to ensure that it helps the Fund implement its strategy. The name PRP was changed to Strategic Change Programme (SCP) to reflect this alignment and to emphasize that the programme will not merely review existing processes. The new name expresses the focus of the programme – organizational change to enable IFAD to achieve its objectives more efficiently and effectively.
7. A PMU analysis of the five business processes in October through December 2001 confirmed the need to modernize support tools in finance, human resources and administrative services and to upgrade information systems through the investments approved by the Executive Board in December 2000.
8. Upgrading information technology (IT) and replacing manual or isolated applications with PeopleSoft integrated systems for finance and human resources will provide the required support. Training and staff involvement will be prioritized to ensure successful implementation. Given the considerable IT investment in SCP, IFAD will need to enhance planning and priority setting in this area.
9. The analysis emphasized the need to strengthen the organization's planning and management capacity. This is particularly important in terms of linking financial and human resource allocations to strategic framework priorities. To that end, a new annual planning and budget process will be established in 2002.

III. IMPLEMENTATION DURING 2002

10. Senior management requested PMU to set out a work plan and budget for 2002. It was agreed that certain projects should be identified as key SCP activities and that the concept of cross-functional activities (processes) should be maintained. Implementation of the SCP will begin with the projects described below.

Strategic Planning and Budgeting

11. The objectives are to:
 - link the planning and budget process to the strategic framework, so that work programmes and resource allocations are firmly rooted in it;
 - broaden the perspective of planning and allocating resources and ensure that they are allocated according to operational and control requirements; and
 - streamline the budget process.
12. Improved planning and budgeting are fundamental to implementation of the strategic framework and regional strategies and to matching resource allocations to priorities. From February through April 2002, a working group will develop a new annual planning and budget process to support the elaboration of the Programme of Work and Administrative Budget for 2003.



Financial Management

13. The key objectives are to:

- streamline financial processes by which senior and middle management can monitor performance on strategic objectives against expenditure;
- decentralize budget management to ensure efficient and accountable use of resources; and
- reduce manual inputs and duplication to ensure prompt payments and accounting.

14. Investment in this project will provide tools for improved financial management and evaluation of achievement, giving IFAD a financial system that will streamline the processing of transactions and delegate budget management through a structure of cost centres supported by a control framework.

15. Information will be provided more efficiently and will enable analysis allowing IFAD to take prompt corrective measures on the programme of work and administrative budget. This decentralized system will also allow replacement of multiple approvals, based on accountability. Staff will be released from manual, repetitive administrative work and be able to devote time to value-added services, advising organizational units and making periodic analyses of resource use and results.

Human Resource Management

16. The objectives in human resource management are to:

- define priorities and the organizational structure, policies and procedures required to implement them;
- improve the accuracy and quality of services; and
- streamline administrative processes.

17. The investments will establish human resources as a value-adding part of IFAD, improving the unit's management capacity to plan needed services and support managers and staff.

18. IT systems for managing human resources information will streamline processes and empower end-users through self-service administrative procedures. A career-planning process is envisaged that will include learning and development activities, the Individual Performance Planning and Appraisal System (IPS), skills assessment, rotation and mobility.

19. From October through December 2001, a review committee examined four aspects of human resources: selection and recruitment, recourse and appeal, performance appraisal and career development. Implementation of the committee's recommendations will allow the Fund to modernize its policies and procedures and introduce tools to support the management of human resources.

Management Information Systems

20. The objectives are to:

- establish an IT plan and an organizational structure that supports the institutional requirements of the strategic framework and the SCP; and
- provide IT tools that enable IFAD to adapt to changing needs.

21. These investments will allow IFAD to establish a more integrated, standardized IT architecture. Important organizational functions of the IT division will be to empower users through training and to define service-level agreements that will enhance collaboration between IT staff and users in



developing new requirements, leading to efficient IT support for institutional and strategic framework priorities.

Administrative Services

22. The objectives are to:

- use technology to reduce costs; and
- make services quicker and more effective.

23. Streamlined workflows, quicker distribution of documents and enhanced services are anticipated.

24. In addition to the above projects, and as part of the SCP focus on effectiveness in order to increase the impact of the Fund's programmes, the Knowledge Management Project was launched in 2001 through the establishment of a Knowledge Management Facilitation Unit (KMFU). The KMFU held in-house consultations on the strategic approach to and implementation of knowledge management in IFAD. As a result, it was decided that the knowledge management strategy needed to be aligned with the strategic framework, to ensure that the activities undertaken would add value to the strategic framework priority of increasing the Fund's field impact. In addition, it was felt that it was necessary to integrate this project with the work undertaken during the design phase in 2000 in the areas of impact, partnerships and new product development.

25. During 2002 the SCP will also focus on elaborating other proposals to improve the effectiveness of the Fund in increasing the impact of its programmes. As indicated during the December 2000 Executive Board, as a result of the detailed design phase further work was required in the areas of impact, partnerships and new product development. The SCP will facilitate the alignment of the priorities defined by the strategic framework with the Knowledge Management Project and the work undertaken during the detailed design phase in the mentioned areas. This work should allow the SCP to present detailed design proposals and the investments required to the Executive Board in December 2002.

IV. PROCUREMENT PROCESS

26. In March 2001, the Executive Board requested an international search for implementation partners. Advertisements were placed in major publications around the world, and Executive Board members received a copy of the request for information.

27. The objective was to identify consulting firms as prime contractors or subcontractors. Proposals were received from companies in Austria, India, The Netherlands, New Zealand, Spain, Switzerland and the United Kingdom. A number of the companies were invited to make technical and financial proposals. In July 2001, a panel representing various IFAD departments evaluated the proposals and established a shortlist of three.

28. In early February 2002, the shortlisted companies made presentations of their proposals. Final technical and financial proposals will be received by 26 February 2002 and evaluated by an IFAD panel. A decision on awarding the contract will be reached by the end of March 2002.

V. SCP – MANAGEMENT STRUCTURE

29. Senior management will be responsible for SCP direction, priorities and resources. The President, as programme sponsor, represents senior management's commitment to SCP, motivating support within IFAD and facilitating the necessary organizational changes.



30. PMU, supervised by the programme sponsor, is responsible for implementing SCP and aligning it with the strategic framework and the annual programme of work and administrative budget. There will be quarterly progress meetings with senior management.

31. Divisional managers will be responsible for results in their areas. Teams of IFAD staff and experts from the implementing partner will be assembled for each project.

32. A mechanism will be agreed with the implementing partner to resolve issues that may affect the results of SCP or delay implementation.

33. The implementing partner will provide expertise in programme and risk management, change management and technical matters.

VI. BUDGET PHASING AND BENEFITS

34. In adopting Resolution 116/XXIII at its Twenty-Third Session in February 2000, the Governing Council approved a capital budget of USD 26.0 million for PRP and a first tranche of USD 1.3 million for the design phase (a maximum of 5% of the overall budget). At 31 December 2001, expenditure from the first tranche was approximately USD 1.0 million. The remainder will be used to complete definition of strategic-framework priorities regarding impact achievement and assessment, portfolio management and policy.

35. At 31 December 2001, approximately USD 0.57 million of the second tranche of USD 15.5 million, approved by the Executive Board in December 2000, had been spent on the first phase of the SCP.

36. IFAD will implement this first phase between April 2002 and October 2004, starting with modernization of financial management, management-information systems, human resources management and administrative services.

37. The remaining budget for implementing the first phase is USD 14.9 million, allocated as follows:

Expenditure category	Cost (USD)
Software packages	2.1
Upgrade of hardware	1.0
Consultants	7.3
Participation of IFAD staff	2.3
Training	0.9
Staff separation package	1.3
Total	14.9

38. Before the end of 2002, the SCP will facilitate the alignment of the priorities of the strategic framework with the work done during the design phase in the areas of impact partnerships and new products development and its integration with knowledge management. A report containing proposals and required investments will be submitted to the Executive Board in December 2002, for review and approval of the last tranche for a maximum amount of USD 9.2 million.

39. **Benefits.** Initially it was proposed to the Sixty-Eighth Session of the Executive Board that the SCP be financed using the capital budget methodology. This would imply that expenses related to investments are amortized over a multi-year period in accordance with international accounting standards.



40. Based on the review and analysis of the design phase, as discussed during the Seventy-First Session the Board, the financing of the SCP will not generate a level of savings sufficient to both amortize the capital budget and redeploy resources to operations.

41. As a result, it was therefore agreed that IFAD will record costs associated with the SCP as a specific cost category in the Income Statement. Investments in modernization during this first phase should lead to the freeing up of financial and human resources. In aligning the efforts of the SCP to the strategic framework, IFAD will ensure that any resultant savings are invested in reaching its strategic objectives.