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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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ABBREVIATIONS AND ACRONYMS

HR	Human Resources
PRP	Process Re-Engineering Programme
SCP	Strategic Change Programme
CGEY	Cap Gemini Ernst & Young
PIU	Programme Implementation Unit

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

I. INTRODUCTION

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. This design phase was completed and presented to the Executive Board in December 2000. The Board approved a second tranche of USD 15.5 million for the current implementation phase of the PRP – now known as the Strategic Change Programme (SCP). In April 2002 an implementation partner was selected (Cap Gemini Ernst & Young – CGEY), and a fixed-price contract was negotiated and signed on 31 May 2002. The implementation phase started in June 2002.

2.   The President was requested to report on progress at annual sessions of the Governing Council, and to provide a final report at the session to be held in February 2006; the most recent progress report was submitted to the Governing Council in February 2004.

3.   At the December 2003 Executive Board session, management indicated that it would provide the Board with an update at its April session on the recalibration of the SCP, which was envisaged following a visit of IFAD's independent quality-assurance experts on the SCP in December 2003.

II. FOCUS, OBJECTIVES AND EXPECTED KEY CHANGES OF THE STRATEGIC CHANGE PROGRAMME

4.   The main focus of the programme is to promote and achieve organizational changes that will allow IFAD, as part of its overall change agenda, to become more efficient and effective in realizing both its vision and the overarching goal of reducing poverty.

5.   The principal objective of the current phase of implementation is to streamline administrative processes and eliminate manual work as much as possible through implementation of PeopleSoft, an integrated commercial software package.

6.   The three processes included in this phase are: **financial management** (accounting, loans and grants, procurement, travel and expenses, cash management, contributions, and budget), **human resources (HR) management** (workforce administration, recruitment of consultants, organizational development, and payroll), and **management information systems** (an adequate PeopleSoft technical architecture and the information-technology organizational structure for PeopleSoft). The key changes in financial management relate to activity-based budget and accounting processes, as well as the decentralization of budget input and monitoring. Those for human resources management relate to unification and centralization of human resources data, with some of the input to be decentralized. Finally, the key changes in management information systems relate to consistency in the technical architecture and to enhancing the capability to support IFAD systems.

III. SCP PROGRAMME PLAN, PROGRESS AND RESULTS

A. Programme Recalibration

7.   As reported at the December 2003 session of the Executive Board, a number of factors contributed to the need for recalibration of the programme. These include:

- Differences of opinion between IFAD's business-process owners and CGEY as to the scope of the work to be undertaken by them, resulting in a new CGEY proposal to complete the work at a further cost of USD 1.892 million.

- The relatively slow pace of progress in carrying out the activities identified in the September 2003 'stock-taking' exercise undertaken by CGEY and IFAD.

B. Implementation Partner

8.   In the light of the above, IFAD's independent quality-assurance experts advised management to seek an amicable separation from CGEY, and to provide the support and expertise IFAD required to carry on implementation of the SCP through a project team, consisting of highly experienced PeopleSoft implementers working as independent contractors under direct IFAD management. It was felt that this approach would ensure that IFAD has suitably skilled resources on site at all necessary times and would remove many of the constraints inherent in dealing with a third party.

9.   Similarly, as advised by IFAD's independent quality-assurance experts, the alternate route of finding a new implementation partner was rejected, since the tender process would be time consuming and would impose a further delay on the programme.

10.   A meeting of the SCP Steering Committee on 16 December 2003 considered and approved the above approach. Following that approval, a meeting was held with CGEY on 18 December 2003, in which CGEY and IFAD agreed on an amicable withdrawal of CGEY from the programme. It was agreed that IFAD and CGEY would identify the tasks required for handover of the work and that negotiations would follow to determine the financial terms of the settlement.

11.   Following approval by the Steering Committee, a new programme structure was set up:

- The former programme management unit was replaced by a programme implementation unit (PIU), headed by the Assistant President for Finance and Administration of IFAD and including an information technology coordinator and an implementation advisor, for the day-to-day management of the programme.

- A business integration team comprising the business-process owners was formed to monitor the progress of the programme.

- The Steering Committee, headed by the Vice-President of IFAD and including its three Assistant Presidents, continues to provide strategic guidance for and oversight of SCP implementation.

- The President of IFAD continues as the programme sponsor.

C. Programme Plan and Progress

12.   Following Steering Committee approval of the programme recalibration, a new programme plan was developed (see paragraph 13 below) and, in addition to a consolidation of the financial systems that have already gone live, includes the following activities:

(a) *HR and payroll.* There is a need to complete the implementation of these systems to meet business requirements including: conversion of 25 years of data into the HR system; two years retrospectivity in the payroll module; inclusion of the privileges and immunities database into the HR system; and the implementation of self-service functionality to allow users to update their personal data in the system.

(b) *Loans and grants.* A review to identify the requirements of the system is continuing, including a vision of how the system may operate in the future. Once those requirements are known, an options paper will be developed that will set out the various options for redeveloping the system and the costs and benefit of each option. The most suitable option will be identified. Once a solution has been accepted, a plan will be developed for its implementation.

(c) *Budgeting.* The implementation of the budgeting module was begun. This module will allow budget preparation to be decentralized throughout IFAD.

(d) *Cash management.* Work on this module, which was in the design stage, would be intensified.

(e) *Supplementary funds.* This is an additional stream to the SCP; it has the aim of unifying information in the organization on supplementary funds and ensuring that information is available throughout IFAD. Current processes are being identified and requirements for information investigated. Pending the results of that review, it is estimated that functionality will be completed by mid-2004.

(f) *Change management.* In line with the increasing number of systems that are likely to go live in the next six months, there is a focus on change-management activities to ensure that the organization and staff are ready for the changes brought in by the implementation of the new systems. These activities include: the identification of stakeholders, internal and external communications, monitoring change readiness and training.

13. **Phasing of implementation**. The current phase of the SCP has been recalibrated into two subphases:

(a) The first subphase will focus primarily on delivery and full integration of the PeopleSoft modules already in progress in FAD. This will result in initial business-process changes due to the business practices inherent in the software. This subphase is expected to be completed by mid-2004.

(b) The second subphase will utilize the systems and improved processes implemented in the first subphase to roll out strategic change processes to the rest of the organization, including decentralization of budgeting, data entry and reporting. Completion of the second subphase is planned for early 2005.

D. Related Issues

14. An intensive and dedicated effort is continuing to ensure that IFAD will secure a sustainable, industry-standard system. This requires continuing quality assurance, an appropriate support structure, training and a change-management strategy.

15. **Quality assurance.** As part of the risk and issues management of the SCP, three external quality-assurance reviews took place between March and July 2003; the fourth one was undertaken in December 2003. The same consulting firm that undertook the previous reviews comprehensively reviewed the programme and provided recommendations for improvements as well as for the recalibration of the SCP. Some of the areas addressed were: programme planning and monitoring, risk

and issues management, testing, data migration, integration issues, communication, training and change management. As mentioned above, the recommendations are being actively managed by the PIU and the Steering Committee. A follow-up quality-assurance review will be undertaken in the near future.

16.   **PeopleSoft support structure.** The support structure put in place to support the systems that went live in 2003 was further enhanced to handle the increasing requirement for its services. As indicated above, a support strategy is being developed to ensure that IFAD is able to adequately support and evolve the PeopleSoft modules that are currently live, as well as those that will be installed in FAD during 2004.

17.   **Training.** The training of IFAD staff to use the PeopleSoft systems effectively, and of the technical staff to support them, is a high priority. Once the post-implementation reviews of the systems in production are complete, staff will be given refresher and advanced training that will improve their understanding of how to use the systems. A specific plan has also been developed for the training of IFAD technical personnel.

18.   **Change management.** During the course of rolling out the new modules to be implemented in 2004, the change brought about by those systems will continue to be managed. The change-management strategy is being updated; it will still focus on continuing senior management leadership, organizational alignment, training, communication and risk management. One innovation will be a survey of the change readiness of a representative sample of stakeholders on a regular basis to identify areas that need attention.

IV. SCP Budget Utilization

Status of Expenditures and Commitments

19.   As stated in paragraph 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 the Process Re-Engineering Programme and a first tranche of USD 1.3 million for the design phase (a maximum of 5% of the overall budget).

20.   At December 2001, expenditure from the first tranche was approximately USD 1.0 million. At 31 December 2003, USD 9.2 million of the second tranche of USD 15.5 million (or approximately 59%), approved by the Executive Board in December 2000, had been spent on the first phase of the SCP.

21.   There is an unpaid balance from the contract with CGEY of USD 3.152 million, and negotiations on the amount to be paid are under way.

22.   In spite of the recalibration of the SCP, it is still expected to be completed within budget.

23.   The table below shows, by expenditure category, the original allocation, expenditures in 2001, 2002 and 2003, and commitments as at 31 January 2004.

SCP EXPENDITURES 2001-2004
(AS AT 31 JANUARY 2004)
(USD)

Category	Total Allocations Original Budget	Reallocation of Budget	Adjusted Total Allocations	Expenditure 2001	Expenditure 2002	Expenditure 2003	Commitments as at 31 January 2004	Balance
Staff replacement	2 870 254		2 870 254	338 254	651 539	1 126 265	170 055	584 141
Consultants	1 573 263	401 000	1 974 263	141 828	99 401	760 596	1 126 484	-154 046
CGEY contract	5 780 208		5 780 208	-	1 523 768	1 104 266	-	3 152 174
Travel and training	881 038	-101 000	780 038	29 038	110 535	201 956	-	438 509
Other expenses	98 237		98 237	26 237	11 467	14 007	-	46 526
Software	2 022 000	-300 000	1 722 000	-	781 015	198 207	86 973	655 805
Hardware	975 000		975 000	-	7 507	653 030	-	314 463
Staff separation	1 300 000		1 300 000	-	-	-	-	1 300 000
Total	**15 500 000**		**15 500 000**	**535 357**	**3 185 232**	**4 058 327**	**1 383 512**	**6 337 572**

24.   The major expenditure categories of the SCP budget for 2003 include: staff replacement to allow departments to replace staff involved with the SCP; consultants to supplement capacity in technical areas, and hardware.