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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Third Session**

Rome, 1-2 December 2004

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

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## **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 to implement 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 the 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. The last progress report to the Executive Board was submitted in April 2004, with a verbal update also provided to the Board in September 2004.
3. This progress report covers the period 16 October 2003 to 2 October 2004, and includes a review of the recalibration of the SCP.

### **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 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 of the SCP is to streamline administrative processes and eliminate manual work as much as possible, with the 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 (IT) 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 HR 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 Eighty-First Session of the Executive Board, a number of factors contributed to the need for recalibration of the programme.<sup>1</sup>
8. As part of the recalibration, CGEY's engagement as implementation partner was terminated. A meeting was held with CGEY on 18 December 2003, where both CGEY and IFAD agreed on an amicable withdrawal of the implementation partner from the programme.
9. A new programme structure was established, as follows:
  - The former programme management unit (PMU) was replaced by a programme implementation unit (PIU), headed by the Assistant President of the Finance and Administration Department (FAD) and including an IT coordinator and an implementation advisor, to undertake the day-to-day management of the programme.
  - A Business Integration Team (BIT), 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 to be Programme Sponsor.
10. To provide the support and expertise IFAD required to proceed with implementation, Management opted to form an SCP Team, consisting of experienced PeopleSoft implementers working as independent contractors under direct IFAD management. It was felt that this approach would regenerate the programme by ensuring that IFAD has suitably skilled resource people on site at all relevant times.
11. This implementation phase of the SCP was recalibrated into two sub-phases:
  - (a) The first, Sub-Phase A, was focused primarily on completing the delivery of the PeopleSoft modules already in progress in FAD and their full integration, resulting in initial business process changes brought about by the adoption of the business practices inherently built into the software. The activities planned for this sub-phase were scheduled for completion by mid-2004.
  - (b) The second, Sub-Phase B, will use the systems and improved processes to roll out strategic change to the rest of the organization, including the decentralization of such items as budgeting, data entry and reporting. Completion of this sub-phase was scheduled for early 2005.

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<sup>1</sup> These included:

- Differences in 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 'stocktaking' exercise undertaken by CGEY and IFAD. (EB 2004/81/R.28)

## B. Programme Plan and Progress

12. The following provides an update on all major project streams:
- (a) **Live Financial Systems.** Those systems that had already gone live were reviewed to determine potential configuration changes and process improvements. The systems were fully patched and completely retested to ensure that they were operating correctly.
  - (b) **HR and Payroll.** The conversion of 25 years of data into the HR system was successfully completed. The tasks currently ongoing include building two years retrospectivity in the payroll module, the inclusion of additional functionality to facilitate the payment of one-off HR payments and the implementation of self-service functionality to allow users to update their own personal data in the system.
  - (c) **Budgeting.** The PeopleSoft Budgeting module went live on 14 June 2004, with the Strategic Planning and Budget Division entering budget data directly into the PeopleSoft environment. Approximately 60 employees representing all IFAD divisions have been involved in reviewing and amending their own budget data within the system, supported by extensive training in entering data and generating reports within the system.
  - (d) **Commitment Control.** Sub-Phase B includes the decentralization of budget management throughout IFAD. This involves rolling out PeopleSoft access to representatives in all IFAD divisions, to enable decentralized data input, budget checking and approval processes for recording commitments (such as purchasing of goods and services; hiring of consultants) against divisional budgets.
  - (e) **Cash Management.** The module was implemented with initial functionality on 30 June 2004, enabling improved processing of payments through the banking system. Work is continuing to enhance it further through the development of bank statement load, automatic bank reconciliation and reporting. Once complete, this will introduce major process improvements in the daily management of IFAD's cash flows.
  - (f) **Asset Management.** As the custom-built IFAD inventory system was no longer supported, it was determined that this module of PeopleSoft would also be implemented as part of Sub-Phase A. The successful go-live on 30 June 2004 has enabled asset information to be automatically transferred into the Asset Management module as purchases are made, facilitating the tracking of assets within IFAD.
  - (g) **Loans and Grants.** After a full review of system requirements, the SCP Steering Committee approved the recommended approach to refactor and enhance the current Loans and Grants System (LGS). This work commenced in July 2004 and will proceed into 2005. This will then enable design work to commence on fully integrating the LGS with other IFAD systems.
  - (h) **Supplementary Funds.** This additional stream to the SCP aims to unify the information in the organization about supplementary funds and ensure that the information is available throughout IFAD. Sub-Phase A included the review and documentation of current processes, and the recommendation of a number of business process improvements to standardize the treatment of these funds. Some recommendations were also made regarding system improvements, to capture the inflow of funds more efficiently and enable reporting to meet IFAD's needs. Work is ongoing in Sub-Phase B to define concrete solutions for meeting IFAD's reporting needs and to conduct a cost-benefit analysis of other suggested system improvements.

- (i) **Knowledge Management.** IFAD has identified knowledge management as a key area of focus in order to strengthen the impact of IFAD projects in the eradication of rural poverty and to support the professional growth of IFAD staff. To achieve these goals, IFAD has defined four primary, interrelated initiatives that it is undertaking in 2004-2005:
- development of an information and knowledge management strategy;
  - development of a knowledge management culture;
  - implementation of knowledge management processes, activities and supporting tools, such as the Rural Poverty Portal; and
  - development of an information technology platform to support knowledge management.

These linked initiatives will build on the many recent activities that have helped to establish a more conducive environment at IFAD for the growth of a knowledge culture. Activities include the Innovation Mainstreaming Initiative, preliminary research on learning and knowledge needs conducted in 2004, the work of the thematic groups, Programme Management Department learning notes, the activities and products of the Office of Evaluation and various others.

Over the coming months, IFAD will further define its knowledge management needs and opportunities, and at the same time continue with research and foundation work. By the end of 2004, IFAD will define an overall strategy and approach, which will be refined, detailed and launched in 2005.

- (j) **Process Streamlining.** A working group is performing a process analysis with the aim of limiting duplication and capitalizing on the opportunities for process improvement enabled by PeopleSoft. Results are revealing various areas for improvements, and some are in the process of being implemented.
- (k) **Change Management.** There was a consistent focus on change management activities throughout the last year, to ensure that the organization was prepared for the changes brought on by the implementation of the new systems and other process changes. These activities included the identification of stakeholders, internal and external communications, and monitoring of change readiness and training.

13. The implementation phase of the SCP, with the exception of the LGS refactoring initiative, is planned for completion by early 2005. This will enable a focus in 2005 on regular system life-cycle maintenance and enhancement activities.

### C. Related Issues

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

15. **Quality Assurance.** As part of the continued risk and issues management of the SCP, external quality assurance reviews took place in December 2003 and June 2004, to supplement the three reviews conducted between March and July 2003. The same consulting firm provided recommendations for improvements in the areas of: planning and organization; management and documentation; issue tracking and risk management; communications training; and organizational

change management. The PIU is developing an action plan based on this latest review, to ensure that the recommendations are implemented as appropriate.

16. **PeopleSoft Support.** The structure put in place to support the systems that went live in 2003 was enhanced to handle the increasing number of requests after several new systems went live at the end of June 2004. A support strategy is being developed to ensure that IFAD adequately supports and develops the PeopleSoft systems.

17. **Training.** The training of IFAD staff to use the PeopleSoft systems effectively, and of the technical staff to support them, remains a high priority. Since the completion of post-implementation reviews from Sub-Phase A, participants have received refresher and advanced training to improve their understanding of how to use the system. A detailed decentralization training plan has been prepared to coordinate divisional training needs as the system is rolled out to users throughout IFAD up to January 2005. It is envisaged that additional training and support will be provided in 2005 to ensure that IFAD divisions are able to use the system effectively. A specific training plan has also been developed for the training of IFAD technical personnel.

18. **Change Management.** The change management strategy continues to focus on senior management leadership, business ownership, communication, training and risk management. Special attention is being paid to the decentralization of budget management and the roll-out of the modules to be completed by the end of Sub-Phase B. The survey to assess and monitor change readiness has been updated to relate more specifically to decentralization, and the sample of IFAD staff members has been increased to be more representative of all IFAD divisions.

#### IV. SCP BUDGET UTILIZATION

##### Status of Expenditures and Commitments

19. 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). At December 2001, expenditure from the first tranche was approximately USD 1.0 million.

20. At 30 September 2004, approximately USD 13.9 million (or approximately 90%) of the second tranche of USD 15.5 million approved by the Executive Board in December 2000, have been spent on the first phase of the SCP. This includes the settlement (made in April 2004) of CGEY's contract.

21. The major categories of expenditure of the SCP budget for 2004 have been: independent consultants to perform implementation work in lieu of CGEY; staff replacement to allow departments to replace staff involved with the SCP; communication; and quality assurance.

22. The forecasted cost of taking to completion the current implementation activities is USD 1 476 984. In addition, an amount of USD 125 000 has been reserved for Knowledge Management activities under the categories consultants, hardware and software. The combined forecasted expenditure amounts to USD 1 601 984 and the forecasted net balance at the end of the current implementation phase is USD 11 496.

23. The table below shows, by expenditure category, the original allocation, reallocations and expenditures in 2001, 2002, 2003<sup>2</sup> and 2004, including commitments as at 30 September 2004.

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<sup>2</sup> The figures in the column 'Expenditure 2003' differ from those presented in document EB 2004/81/R.28 in the amount of USD 10 342. This is due to reconciling 2003 commitments made in currencies other than USD.



**SCP EXPENDITURES 2001 – 2004 (SEPTEMBER)**  
**(USD)**

<b>Category</b>	<b>Total Allocations</b>	<b>Budget Reallocations</b>	<b>Adjusted Total Allocations</b>	<b>Expenditure 2001</b>	<b>Expenditure 2002</b>	<b>Expenditure 2003</b>	<b>Commitments as at 30 Sept. 2004</b>	<b>Balance (USD)</b>
Staff Replacement	2 870 254	-167 000	2 703 254	338 254	651 539	1 123 178	590 283	0
Consultants	1 573 263	3 786 707	5 359 970	141 828	99 401	774 738	3 260 084	1 083 918
CGEY Contract	5 780 208	-1 446 666	4 333 542	0	1 523 768	1 104 266	1 705 508	0
Travel and Training	881 038	-451 000	430 038	29 038	110 535	201 402	34 531	54 532
Other Expenses	98 237	-23 000	75 237	26 237	11 467	13 467	14 000	10 065
Software	2 022 000	-789 041	1 232 959	0	781 015	198 207	167 343	86 394
Hardware	975 000	390 000	1 365 000	0	7 507	653 410	325 512	378 571
Staff Separation	1 300 000	-1 300 000	0	0	0	0	0	0
<b>TOTALS</b>	<b>15 500 000</b>		<b>15 500 000</b>	<b>535 357</b>	<b>3 185 232</b>	<b>4 068 669</b>	<b>6 097 262</b>	<b>1 613 480</b>