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IFAD'S ACTION PLAN FOR MANAGEMENT'S RESPONSE TO THE

INDEPENDENT EXTERNAL EVALUATION

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ABBREVIATIONS AND ACRONYMS

ARRI	Annual Report on Results and Impact
COSOP	country strategic opportunities paper
IEE	Independent External Evaluation
MDGs	Millennium Development Goals
ODA	official development assistance
RIMS	Results and Impact Management System

IFAD'S ACTION PLAN FOR MANAGEMENT'S RESPONSE TO THE

INDEPENDENT EXTERNAL EVALUATION

1.   The Executive Board, at its Eighty-Fourth Session (April 2005), welcomed management's response to the Independent External Evaluation (IEE) and endorsed it as the framework for an action plan. This plan, which would be presented to the Board in September 2005, would specify the directions of change at IFAD and identify the nature of resources required for implementation.

I. SETTING THE CONTEXT

2.   In recent years development agencies have moved towards a programme approach to poverty reduction, with the adoption of country-led poverty reduction strategies and the alignment of objectives around the Millennium Development Goals (MDGs) and harmonized ways of working.

3.   IFAD has retained its comparative advantage, largely by emphasizing its catalytic and innovative roles in the development and implementation of rural poverty reduction programmes, by articulating a stronger role for partnerships and policy dialogue based on its operational experience, and by presenting itself as a learning and facilitating organization for the rural poor.

4.   IFAD is the only multilateral organization focusing exclusively on the rural poor, particularly the poorest. As concluded by the IEE, this mandate not only continues to be relevant, but has been further strengthened by the MDGs and the need for increased efforts to achieve the 2015 targets.

5.   Management's response to the IEE provided a comprehensive framework for change and renewal at IFAD based on six building blocks:

   1.   clarify IFAD's role and focus;
   2.   develop a new operating model;
   3.   strengthen knowledge management and leverage external skills;
   4.   strengthen the culture of results and performance;
   5.   enhance leadership for development effectiveness;
   6.   manage the change.

6.   The IEE highlighted that the new operating model must embrace: a sharpened strategic selectivity; improved innovation performance; enhanced quality assurance and quality control; institutionalized knowledge management; systematic linkages to policy change; scaling up processes; and broader partnerships in all areas of work.

II. THE ACTION PLAN

7.   The main implications of the revised operating model, to be introduced through the action plan, consist of: (a) the adoption of a country programme approach to integrate the various, distinct IFAD-supported operations in a country; (b) the establishment of country programme teams that include a broader range of in-house skills and competencies, as well as country-level stakeholders, supported by a strong horizontal accountability framework; (c) the implementation of a more effective results management framework; and, (d) operationalization of a corporate knowledge-management strategy which is integrated into country and regional programmes.

8.   The introduction of the country programme approach means that ongoing loan- and grant-funded projects, pipeline development activities, capacity-building workshops on a variety of issues and implementation support activities will no longer be managed as largely stand-alone operations.

They will be integrated into one coherent programme, based on a results-oriented country strategic opportunities paper (COSOP), with a clear innovation, learning and policy agenda. The linkage will generate efficiency gains and a better integrated body of knowledge on rural poverty reduction, available to all stakeholders. It will also allow IFAD to sharpen its focus and play a stronger role in rural poverty reduction partnerships.

9.   The key elements of a country programme (adapted from REPL.VII/3/R.3: Overall Structure and Components of IFAD's Operating Model, July 2005 – page 6, Box 2) are summarized below:

Box 1: Elements of a Country Programme

(a)   A **strategic mix of innovative projects and grant programmes**, with the matching enhancement of a knowledge and policy agenda, replication, scaling up and partnership development goals.

(b)   **Rooted in a results-oriented country strategic opportunities paper (COSOP)** that defines the country strategy pursued by IFAD with a particular government, aligned with the country's strategic priorities for the rural sector and poverty reduction; this country strategy is to be operationalized through a *country programme results framework* with performance-driven scenarios and linked to IFAD's regional strategy and its strategic framework.

(c)   **Managing for results,** including the results arising from the COSOP, the strengthened quality assurance systems, including the results and impact management system (RIMS), policy dialogue (in the context of the performance-based allocation system [PBAS], or in other forums relating to and deriving from operational experience) and those aspects to be achieved through multi-tier partnerships (internal and external).

(d)   **Managing effective implementation** and **systematic learning and sharing** of a country programme of ongoing projects and grant-funded programmes through supervision and implementation support, knowledge management and strategic and selective policy dialogue.

(e)   **Managing innovation leading to replication and scaling up.** Under the new country programme approach, the focus on innovation should be strengthened and more clearly reflected in the country programme. In order to increase potential for replication and scaling up, innovative projects should be planned from the outset with the participation of prospective cofinancing partners.

(f)   **Managing country programme teams** anchored in flexible **country presence** and expertise, working through partnerships and service providers and supported by headquarters-based (resource) teams.

(g)   **Providing financial resources** allocated on a managed performance basis (performance-based allocation), country programme results framework plan and, in addition, supplementary funds and initiatives funded under the Initiative for Mainstreaming Innovation (IMI).

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10.   Country programme management teams will provide countries with better access to a broader range of in-house expertise. A country programme will also have to formalize the "virtual IFAD" by integrating in-country stakeholders – representatives of the rural poor, project management staff, government authorities, policy-makers – with the cooperating institutions. Tailored country presence and flexible supervision modalities are crucial elements of the country programme management team.

11.   From an operating model perspective, many change efforts have been made on an incremental basis. IFAD now has the benefit of the experience of a number of new initiatives: the Flexible Lending Mechanism pilot, the direct supervision pilot and the field presence pilot. Building on those initiatives and recognizing the nature and intensity of the official development assistance (ODA) context, countries' adjustment and donors' response, the need is now clear to pursue a more integrated approach, adjusting the institutional model for a closer match with the context, mainstreaming the lessons learned from the pilot initiatives, and internalizing the recently adopted harmonization agenda.

12.   Strengthening of the results management framework entails the development of linked corporate, regional and country strategies, underpinned by results management frameworks, and a medium-term corporate plan. It also requires the introduction of a multi-tier quality assurance and control system, at different stages in country programme development. Knowledge management systems and an improved accountability framework will support the results management framework.

13.   Quality assurance for flexible essential design should be supported by generating lessons from country programmes to improve future design and implementation; developing policies, Learning Notes, and the elaboration of procedures based on knowledge and experience from country programmes. Quality assurance for better implementation support may be achieved by: linking more proactively with key in-country partners, through strategic partnerships, country presence, and project development and implementation partnerships; redefining the role of cooperating institutions and supervision; incorporating more and better "learning" features in country programmes, project monitoring and evaluation, portfolio management (self-evaluation), RIMS and associated knowledge management; and increasing participation of IFAD staff (headquarters and field staff) during key redesign points, particularly mid-term reviews and annual workplan sessions.

14.   The action plan, which is a work in progress, provides the key elements for implementing the new operating model. This action plan articulates the internal change processes required to respond effectively to the recommendations of the IEE as well as to the challenges from the external context.

15.   The action plan addresses:

(a)   what IFAD will do to increase its development effectiveness; and

(b)   how IFAD will plan and manage the delivery of actions, results and changes that lead to measurable improvements in its development effectiveness.

16.   This action plan will require IFAD to:

(a)   **be more explicit about its comparative advantages and complementary role;**

(b)   **deliver a larger lending and grant programme through better products and services**, in the light of increased levels of ODA and emphasis on debt sustainability;

(c)   **develop new ways of country engagement** that will make a country leadership role and in-country processes effective and inclusive;

(d)   **emphasize planning, managing and accounting for results and impact, linked to strengthened quality assurance**. The linkage to strengthened quality assurance will be extended to include not just the design process but also all other implementation processes, such as supervision, annual programme planning, and mid-term review. IFAD will be measured and benchmarked against other organizations;

(e)   **pursue innovation with partners** – not for its own sake, but to generate new solutions to challenges and to promote replication and scaling up of rural poverty reduction programmes;

(f)   **design and put in place human resource management structures and systems to support implementation of the new operating model.** This will build an organizational culture to support the new model;

(g)   **implement changes over the 2006-09 period**; and

(h)   **secure an appropriate budget, human resources and time frame** to achieve these objectives.

III. MANAGING THE PLAN

17.   **Delivering on the action plan will be IFAD's major priority during the Seventh Replenishment period**. To deliver on the action plan (in particular the change dimensions), the senior management team will lead the process throughout. A management structure for delivering on the action plan will be put in place in September 2005, with dedicated staff and senior management members. A steering committee reporting directly to the President and with representation from all departments will be established in September 2005. An implementation plan will define roles, responsibilities and deadlines.

18.   Experience implementing the first phase of the Strategic Change Programme (SCP) has proven that the organization needs to be conscious of its capability to deliver change on top of its ongoing work. We have learned that a self-managed and phased approach will be much more effective then an externally-driven consultant model. This approach requires a longer execution period, but leads to ownership of the changes and effective implementation.

19.   In retrospect, the valuable experience of the SCP's first phase clearly showed that a higher budget should have been provided for more full-time staff and more intensive training to bring about the changes. An additional benefit would have been greater staff career development as officer-in-charge roles were created while full-time staff involvement with the SCP was undertaken. The changes envisaged here will also need extensive consultancy inputs for implementation support and facilitation; technical expertise (for example, on specific aspects of knowledge management); training; quality assurance, and monitoring and evaluation.

20.   **Preparatory stage: September 2005-April 2006.** If the Executive Board endorses the main thrusts of the action plan in September, a programme management team will develop the organizational structure for implementation of the action plan and define further the costs for delivering on it. An interim report would be presented to the Board in December 2005. The following tasks will be completed by April 2006 (further elaborated in the annex):

(a)   set up programme management and assemble interdepartmental teams;

(b)   translate the action plan into detailed tasks with performance indicators, milestones and action owners;

(c)   fully cost the implementation of the action plan;

(d)   integrate the action plan change drivers into ongoing activities and work programmes (see below); and

(e)   undertake specific training for the programme team on risk and change management.

21.   The implementation phase would follow, running from April 2006 to June 2009 as discussed below. An interdepartmental team has revisited the six building blocks of the management response to the IEE (paragraph 5 above) in the context of the early work on the new IFAD operating model and has cast the action plan into four change drivers. This work involved an overview of the principal areas of change required to deliver on the action plan. These areas are summarized in Box 2.

Box 2: Overview of Areas of Change to Enhance IFAD's Development Effectiveness

Country programme approach

- Develop methodologies and operational guidelines for country leadership, strategic alignment, pro-poor policy development, partnerships and networking
- Develop and test results-based COSOP process
- Develop new supervision modalities
- Establish quality assurance process and system
- Develop a country presence strategy
- Define roles and responsibilities for country management teams

Knowledge management

- Develop and adopt the knowledge management strategy
- Develop practical tool kits for implementing the strategy
- Develop infrastructure to support knowledge management at the regional and corporate level (e.g. knowledge networks and rural poverty portal)

Results-based management and accountability

- Develop appropriate management tools: strategic results framework, medium-term plan, regional strategies
- Develop corporate performance system
- Strengthen links between the above, the RIMS, the Annual Report on Results and Impact (ARRI) and the Project Portfolio Report

Human resources management reforms

- Review IFAD's internal structure and workload distribution to assess and implement any realignment or restructuring required to better position the organization to undertake the action plan tasks
- Review and programme organizational change management to drive the cultural changes required for staff to meet the new demands of the action plan (e.g. increased focus on results, increased accountability, and enhanced teamwork)
- Conduct a skills and competency review to identify the new skills and competency requirements, as well as the skill/competency gaps across all functions impacted by the action plan
- Develop and implement a comprehensive training plan on the basis of the skills and competency review
- Plan to identify and retain adequately motivated and skilled staff, making provision for following up on the workload and competencies analyses

Information technology (IT) requirements

- Devise comprehensive IT plan and programme to develop new and integrate existing systems, establish improved linkages between headquarters and country operations, and support the enhancement of other initiatives, e.g. in the area of knowledge management, human resources and financial management

22.   The goal is that, by 2009, IFAD will be an institution characterized by:

(a)   **Improved sustainable development results.** IFAD will have improved its organizational performance and used its resources to enhance impact further, striving for greater and more sustainable development results. Its institutional objectives will be consistent with country priorities and its operations well targeted. In addition, its operations will lead more systematically to replication or scaling up by the government or other partners; establishing strategic partnerships at the outset of projects/country programme design will have been a crucial step in this direction.

(b)   **Improved ability to demonstrate and account for development results.** In an environment where aid agencies are increasingly pressured to demonstrate development results while also competing for resources, IFAD will be able to demonstrate concrete results on a more systematic and comprehensive basis. IFAD will have developed better mechanisms for planning and setting priorities, managing for results, and measuring performance to achieve impact. This will include new and improved ways of managing staff resources, developing and managing partnerships and working with governments.

(c)   **Strengthened role as a learning organization.** IFAD will have improved its ability to generate and share knowledge about tested and successful approaches to rural poverty reduction and about the specific conditions, aspirations and potentials of the rural poor. IFAD will be recognized as a successful innovator in its well-defined role and focus, having tested and piloted new approaches for rural poverty reduction while identifying policy domains in need of change and advocating for these changes.

(d)   **Improved ability to contribute to advancement of the global development agenda.** Drawing upon the knowledge acquired through its innovative operations and strategic partnerships, IFAD will have played a larger role in international and national policy forums.

(e)   **Improved country interface.** In a context where most development agencies have decentralized their operations and developing country governments have taken ownership of the development agenda, IFAD's operations will have been integrated with country realities.

(f)   **Reviewed and enhanced internal work processes,** including strategic planning and budgeting and human resource management. Appropriate management competencies and structures will have been developed and new staff competencies put in place.

(g)   **Recognized role as a partnership-based organization** for its project supervision and implementation support, for knowledge management and for policy dialogue. It will also be using strategic partnerships for quality assurance, in-country presence and innovation application and scaling up.

(h)   **An accountability model** that has shifted from a traditional, vertical one to one where teamwork and horizontal accountability are the basis for people and performance management.

IV. THE DRIVERS OF CHANGE

23.   The action plan has four change drivers that are anchored in the new operating model:

(a)   strategic guidance and focus for increased development effectiveness
(b)   a country programme approach
(c)   strengthened learning and knowledge management
(d)   improved institutional capabilities

24.   The first change driver, **strategic guidance and focus for increased development effectiveness**, has as an expected outcome: improved achievement of measurable development objectives with clear accountability to Member States and the rural development community.

25.   The IEE concluded that IFAD's strategic framework, and to a lesser extent IFAD's regional and country strategies, do not provide effective filters for selectivity.

26.   The **strategic directions for change driver 1** are:

(a)   IFAD is driven by an innovative results-oriented strategic framework and associated medium-term plan that has been developed in collaboration with partner organizations and is supported by donor organizations and partners (this includes recasting the five regional strategies and enhancing the corporate policy function).

(b)   The Executive Board is actively guiding the organization towards realization of the strategic framework and development effectiveness according to a clear set of roles and performance criteria.

(c)   Strategic leadership and performance management has been enhanced at all levels within the organization and is enabling the organization to achieve its objectives and respond effectively to performance problems.

(d)   A corporate performance assessment system is in place and is being used for strategic management at all levels (this includes analysing and upgrading existing business processes such as the ARRI, PBAS, RIMS, the Project Portfolio Management System [PPMS] and the Loans and Grants System [LGS]).

27.   For all four change drivers, a more detailed description of outcomes and activities in the period 2006 to 2009 is given in the annex.

28.   The second change driver, **country programme approach,** has as an expected outcome: IFAD has adopted a holistic country programme approach to developing and implementing solutions to rural poverty rooted in country ownership and leadership and guided by flexible management and rigorous measurement and feedback.

29.   Both the IEE and three country programme evaluations undertaken in 2003 concluded that if IFAD is to play a more strategic role as a development partner in-country, and if it is to increase its results and rural poverty impact, it needs to address critical constraints related to the performance of its in-country operations and the overall weak headquarters-to-country relationship caused by mission-based consultants and the free-agent country programme manager CPM model (as termed by the IEE).

30.   The **strategic directions for change driver 2** take into account that today's emphasis on country leadership and development harmonization demand that IFAD emphasize its comparative advantages while being more engaged and present at the country level. Accordingly, IFAD needs to:

(a)   Integrate discrete loans and grants into a country programme approach[1] (also see Box 1 above) providing a strategic mix of high-quality products and services that increases the results and impact delivered at the country level for rural poor people.

(b)   Ensure that projects are designed and managed in a way that maximizes their alignment with, and impact upon, the broader institutional and economic context. Higher priority needs to be attached to institutional linkages, innovation, scaling up, sustainability and selective and strategic policy dialogue,.

(c)   Operate more actively as a strategic partner at the national level**.** This will require a greater in-country presence through strategic partnerships to achieve shared objectives.

(d)   Devise more coherent, integrated country programmes through projects that share a common strategic approach. The country programme approach moves beyond local project impact. A mixture of interventions, alliances with national programmes and partners, and policy reflection and dialogue is required for greater impact. This also necessitates adoption of a country programme management team approach (see Box 1 and the annex, page 18).

31.   The third change driver, **strengthened learning and knowledge management,** has as an expected outcome: learning and knowledge management have become core processes that enable the creation, capturing and dissemination of *collective* experiences of country programmes to enable quicker and more cost-effective solutions to rural poverty and the adaptation and scaling up of successful innovations, and knowledge to those who need it, both inside and outside IFAD.

32.   As noted in IFAD's The Way Forward paper (document REPL.VII/2/R.2), neither governments nor other development partners can be effectively pro-poor in rural areas unless they understand where poor rural people are, how they make their living, what their opportunities and constraints are, and what mechanisms will work in enabling poor people to improve their incomes and food security. But learning and knowledge generation does not happen spontaneously. For IFAD, the focus on knowledge management and learning must be to enable the creation, capturing and dissemination of knowledge by involving the rural poor, rural development practitioners and policy-makers.

33.   The **strategic directions for change driver 3** are:

(a)   Identify key innovation challenges for rural development, both generally and for specific locations, and then put in place the mechanisms to facilitate learning and knowledge generation around these challenges. This requires investment in learning networks and processes that engage different stakeholders as well as in the mechanisms that enable formalized knowledge to be compiled, accessed and disseminated.

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[1]   Annual Report on Results and Impact of IFAD Operations. Operations Evaluated in 2003 (document EB 2004/82/R.6, paragraph 119): "A common overarching feature is the need for IFAD and its projects to look beyond the confines of the typical, area-based rural/agricultural development project. Projects need to fit better within, and link better with, the framework conditions and wider institutional and economic environment. Projects need to be designed and implemented with an eye to a wider than local impact and influence. This implies real innovation that meets an identified, wider need, and real prospects for more extensive replication. And it means looking beyond projects as the main aid instrument if IFAD is to contribute to broader change in rural policy and practice, with consequently wider impact on rural poverty."

(b)   Given that IFAD works with rural poor people, knowledge processes will by necessity often be informal and require effective processes for integrating indigenous and scientific forms of knowledge and innovation.

(c)   A key source of knowledge generation and learning is through better use of evaluations. Synthesis of evaluation findings can make important contributions to the common knowledge pool, while the processes whereby evaluations are undertaken and findings shared can be an important contribution to the learning and empowerment of rural people and implementing partners.

34.   In conclusion, a corporate knowledge management strategy must be operationalized which is integrated into all corporate processes, with emphasis on country operations, as well as regional and country strategies. This is further elaborated in the annex.

35.   The fourth change driver, **improved institutional capabilities**, has as an expected outcome: revitalized and modernized institutional capabilities, including realigned information systems, optimized work distribution, a human resources strategy, and financial management to support a more agile, creative and results and performance-oriented work environment.

36.   The **strategic directions for change driver 4** are:

(a)   The functioning of IFAD is underpinned by an organizational culture in which staff are further committed to the mission and strategy of the organization, are innovative and results-oriented, and where cross-organizational collaboration and learning are valued.

(b)   Work processes and organizational structures have been aligned with the needs of a results-oriented, country programme approach, with innovation and knowledge management processes.

(c)   A proactive human resource development programme is in place to ensure the organization has the appropriate management, technical and process facilitation competencies to effectively and efficiently deliver on its mission and results-oriented strategic framework (this builds on the continuing work on IFAD's Human Resources Policy and procedures, as further outlined in the annex).

(d)   Financial and administrative systems have been aligned with the needs of the results-oriented management and country programme approaches and are delivering quality client-oriented services.

V. RESOURCE IMPLICATIONS

37.   Since 2002, IFAD's work programme has risen by 28 per cent, from just under USD 400 million to an estimated level of USD 500 million in 2005. The proposed programme of work for 2006 will reach USD 550 million. Recognizing the need to serve more rural people and to have greater impact, IFAD is committed to continuing this growth and is proposing a significant increase in the Seventh Replenishment. The international community is gearing up to increase the resources it provides for poverty eradication, and this creates a broader opportunity for IFAD to play an important part.

38.   As emphasized by the IEE and management's response, and reflected in this action plan, IFAD must deliver better performance that leads to increased development effectiveness. These challenges require IFAD to develop new and better ways of working, which require more resources.

39.   In estimating investment costs, an analysis was made of the approach and costing of the first phase of the Strategic Change Programme (SCP) and of the critical cost drivers of the action plan.

40.   In December 2000, IFAD presented to the Executive Board proposals for the implementation of the first phase of the SCP. Management had decided to follow a gradual approach to systems development and process implementation, recognizing there was a limit to IFAD's implementation capacity. The approach adopted for the first phase of the SCP was to deliver the "low" option.[2]

41.   The Executive Board approved an amount of USD 15.5 million for implementation of the first phase of the SCP. Additional capabilities required were to be delivered in a future phase of the SCP, for which management set aside the remaining amount of USD 9.0 million.

42.   The major cost drivers for the SCP were IT development, which required a combination of consultants, new software and hardware, and the cost of staff involvement and training. In retrospect, the experience shows that a higher budget should have been provided for more full-time staff and more intensive training. The experience with a fixed-price consulting firm, on the one hand, and a number of selected free-lance consultants, on the other, has shown that the second approach fits much better with IFAD's institutional culture and capabilities. The first phase of the SCP remained within the approved budget of USD 15.5 million.

43.   The four change drivers of the action plan will require one-time investments, in particular to design and develop improvements for key business processes, develop and integrate existing management information systems, and undertake change management and training activities. The approach proposed for the management and implementation of the action plan requires involvement of full-time staff, including managers.

44.   Additional amounts required as recurrent costs on an annual basis are needed in order to achieve increased development effectiveness based on new ways of working, improved operational modalities (including supervision, learning networks, partnerships and flexible country presence), and new and improved business processes (including quality assurance, innovation, medium-term planning and budgeting, and performance management). Detailed proposals and analysis will be submitted to the Executive Board in December 2005. This will follow on the establishment in September 2005 of an action plan steering committee, reporting to the President. This committee will draw up an implementation plan for presentation to the Board in April 2006, defining roles, tasks and deadlines.

45.   **Requirements for the country programme approach:** The country programme approach and drive for improved performance and results (development effectiveness) requires IFAD to rethink its programme management approach and presence at the country level. Partnerships are a critical element of the headquarters/country relationship. The combination of these elements – stronger country programme management, quality assurance, country presence and partnerships – will take various forms depending upon the country programme profile. As recognized by the IEE, these improvements have implications for staffing levels, in particular the number of CPMs.[3]

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[2]   See document EB 2000/71/R.9 "Detailed Design of the Process Re-Engineering Programme" (now called the SCP).

[3]   For example, estimates will be based on the assumption that for countries with three or more active projects one CPM is required, and that for countries with one or two active projects half a CPM is required. This scenario also foresees higher staff levels for divisions supporting investment operations or involved in knowledge management or policy (e.g. Technical Advisory Division, Office of the Controller/Loans and Grants Administration Unit, Office of the General Counsel, Policy Division, mainly, and other servicing divisions in the Finance and Administration Department).

46.   The main cost drivers of this approach include:

(a)   A **country programme results framework** which will integrate country programme operations to develop and deliver the results. Innovative work will need to be done to improve projects and integrate them into an overall country strategy (results-based COSOP).

(b)   **Increased and more systematic engagement and support for country-led strategic processes (poverty reduction strategy papers, sector-wide approaches, etc.),** which lead to country or development partner requests for IFAD to contribute to this common effort by taking responsibility for rural poverty analysis, policy studies, etc. as part of developing a country strategic framework.

(c)   **Supervision** will need to be more focused to deliver a results-oriented approach. This will involve more days spent in-country by cooperating institutions, IFAD staff and partners. It will require more direct involvement by supervision entities (e.g. cooperating institution) in regional and country programme planning, design, implementation and evaluation. The new supervision approach will include expanding the range of entities – in particular at the country level: private-sector experts, NGOs, etc. – to be contracted to undertake supervision.

(d)   **Partnership strategy.** IFAD's way of operating is strongly related to its initial set-up as a small, headquarters-based institution that needed to complement and partner with other actors at the global, regional and country level. As proposed in the action plan, a strategy for partnership development would address various levels. At the global and regional level, partnerships with centres of excellence for policy, innovation and quality assurance will complement IFAD's institutional capabilities. At the country level, partnerships – in particular with rural poor organizations, civil society and the private sector – will give shape to IFAD's strategic emphasis on enabling the rural poor. These partnerships will need to be reflected in IFAD's strategic framework, regional strategies and country programmes and financed as part of the regional and country grant programmes. An increasing lending level will lead to an increased grant level to finance some of these incremental requirements.

(e)   **Flexible country presence.** These costs are driven by the number of countries in which an active country presence is pursued, and the type of arrangement employed. Different options will be developed drawing on lessons learned from the Field Presence Pilot Programme.

47.   **In conclusion,** the above-mentioned requirements will have implications for the administrative budget. Before this budget can be finalized, IFAD must complete the further analysis and elaboration of the action plan proposals prior to submission to the Executive Board in December 2005.

VI. RECOMMENDATION

48.   Management recommends that the Executive Board endorse the action plan contained in document EB 2005/85/R.6 as the basis for implementation of management's response to the Independent External Evaluation of IFAD.

Change Driver 1 – Strategic guidance and focus for increased development effectiveness

Purpose: *IFAD improved achievement of measurable development objectives with clearer accountability to its member states and the rural development community.*

Background

IFAD needs to increase its contribution to development effectiveness and emphasize its strategic and complementary role with other development actors. As an institution exclusively focused on rural poverty, IFAD has a responsibility to break new ground, to work with partners to explore new and effective solutions, and to promote tested solutions within national strategy and programme development and implementation processes.

Building on local-level knowledge and partnerships and on global knowledge about challenges and options for rural livelihood transformation, IFAD needs to expand and systematize its support to the development of national pro-poor policy, including poverty reduction strategies.

Strategic Directions

1. IFAD is driven by an innovative results orientated strategic framework and associated medium term plan that has been developed in collaboration with partner organisations and is supported by donor organisations and partners

2. The Executive Board is actively guiding the organisation towards realisation of the strategic framework and development effectiveness according to a clear set of roles and performance criteria

3. Strategic leadership and performance management has been enhanced at all levels within the organisation and is enabling the organisation to achieve its objectives and respond effectively to performance problems

4. A corporate performance assessment system is in place and is being used for strategic management at all levels

Purpose	**Performance results by 2009**	
Improved achievement of measurable development objectives with clearer accountability to its member states and the rural development community	• Executive Board provides more effective guidance of IFAD's achievement of Development Effectiveness objectives • Corporate key performance indicators measurably ahead of comparator benchmarks • Annual Report on IFAD's Development Effectiveness cited by comparators and leading experts	
Outcomes	**Activities**	**Milestones**
1. **Sharpened focus and selectivity lead to strengthened comparative advantages and complementary role of IFAD**	1. Operationalize IFAD's Role & Focus paper (VII Replenishment) as starting point for Strategic Framework 2. Develop 5 regional strategies involving key stakeholders and partners 3. Developing cascading objectives from Strategic Framework through regional strategies to country programmes 4. Develop corporate strategy to define IFAD's expectations and approach to strategic partnering.	Strategic Framework adopted by EB December 2006 Regional strategies adopted by Dec 2007 All COSOPs after December 2007 Strategy developed by December 2006
2. **EB's role and accountability for development effectiveness agreed**	1. Design key functions, responsibilities and operational modalities of the Executive Board. 2. IFAD management roles and responsibilities adjusted to match new operating model expectations and approach to strategic partnering 3. Formalize role of civil society organizations and NGOs in Governing Council	EB's role and accountability re-defined and agreed December 2006 Developed by December 2006 Agreed by February 2007
3. **Corporate performance assessment system is in place and is being used for strategic management at all levels**	1. Revise key performance indicators with baselines for achievement of Development Effectiveness 2. Identify and establish strategic partnerships to expand IFAD's capability for establishing and monitoring development effectiveness indicators. 3. Analyze existing business processes and supporting information systems (e.g., ARRI, PBAS, RIMS, PPMS, LGS) and propose needed integration, including consideration for country M&E systems. 4. Develop feedback and reporting mechanisms throughout the country programme cycle to ensure management-for-results. 5. Re-design processes (including peer benchmarking) and supporting systems to provide a corporate monitoring platform. 6. Improve quality of corporate and departmental performance reviews.	Corporate performance system and processes developed December 2007 Partnerships agreed by April 2006 Analysis completed by September 2006 Developed by December 2006 Implementation of new processes by September 2007 Annual Report on Development Effectiveness reviewed by EB in April 2008 and April 2009

4.	**Corporate policy process developed, based on evidence from field experience and dialogue with key partners that facilitate and guide pro-poor policy engagement.**	1. Enhance corporate policy function that facilitate policy dialogue and influence at national, regional and global levels. 2. Develop capacity building programme for organizations of rural poor to influence national, regional and global policy processes and debates and represent their interests and concerns.	Policy function fully developed by December 2006 Capacity building integrated into Regional strategies by December 2007
5.	**Medium term planning framework established that optimizes allocation of resources for delivery of results against strategic objectives**	1. Adjust existing planning and budgeting process and systems using best practice from analogous institutions. 2. Develop corporate planning and reporting system based on Strategic Framework and Corporate Performance System. 3. Align institutional capabilities and support function needs and resource allocations to deliver the Strategic Framework through a zero-based budget exercise.	Corporate Medium Term Plan reviewed by EB April 2007 September 2007 Zero-based budget exercise completed by December 2007

Change Driver 2 – Country Programme Approach
Purpose: *IFAD is adopting a comprehensive and integrated country programme approach to developing and implementing solutions to rural poverty rooted in country leadership and guided by flexible management and rigorous measurement and feedback.*

Background

Historically IFAD has funded projects that focus primarily on local level agricultural and rural development improvements such as irrigation, agricultural productivity, microfinance, and local capacity building.

Strategic Directions

The challenge for IFAD is to put in place a country level operating model that works towards the structural causes of rural poverty while at the same time continuing to provide direct and effective support for poverty reduction in the most marginalised areas of the country. This requires a more comprehensive assessment of the poverty situation, clearer strategies for policy engagement, creating space for innovation and a stronger focus on managing operations towards impact.

Projects need to be more externally integrated and innovative, better aligned with the country framework conditions, and IFAD needs to operate more actively as a strategic partner at the national level. This will require increased attention to external linkages with institutions, policies and partners, including the organizations of the rural poor, and more emphasis on replicable innovations, their scaling up, and policy dialogue. This will be achieved with an enhanced presence in country and a reorientation of the competencies and training of those involved in the design and implementation follow-up of IFAD-supported country programmes.

The Country Programme Approach and country presence will have to support an institution wide framework for delivering better quality products and services in-country, assessing quality, commit additional resources to deepen the analytical and implementation work at the country level and to grow and sustain lending and grant operations.

To deliver this new operating model the share of the budget going to the front-line will need to increase combined with the need to allocate resources to new priorities. Major gains in various dimensions of the quality of lending and non-lending services will have to be made. All improvements are to translate into improved results on the ground. Lending commitments, will grow from USD 550 million in 2006 to USD 750 million in 2009.

Purpose	Performance results by 2009	
IFAD is adopting a comprehensive country programme approach to developing and implementing solutions to rural poverty rooted in country leadership, and guided by flexible management and rigorous measurement and feedback.	• Corporate portfolio performance indicators measurably improved relative to IEE • Country operations include a broader range of successful activities • Supervision quality improved compared to IEE.ARRI indicators • Quality at entry indicators improved compared to IEE/ARRI indictors • Innovation 'Good Practice' Case Studies routinely produced in IFAD country programmes reports • Innovation mainstreamed in IFAD operations	Annual Development effectiveness reports to EB 2007-2009 ARRI indicators and benchmarks 2007-2009 Portfolio performance indicators and benchmarks 2007-2009 IMI regular reports
Outcomes	**Activities**	**Milestones**
1. **Improved country programme approach and processes support country leadership and lead to cohesive set of interventions.**	1. Develop methodologies and operational guidelines for country ownership, strategic alignment, innovation (replication and up-scaling) pro-poor policy development, partnerships and networking based on VII Replenishment Operating Model paper 2. Diversify existing loan and grant products to match the demands of new country programmes. 3. Develop national and regional capacity for implementing and monitoring the Country Programme Approach	Country programme processes recalibrated by December 2007
2. **A Results orientated COSOP process that focuses on integral project activities , and includes strategies for policy and institutional change and drives innovation, is being effectively implemented**	1. Identify critical existing or new elements of the design and implementation of the Country Programme Cycle and establish linkages with on-going initiatives such as IMI, the focused and strategic Policy Function 2. Include lessons learned and knowledge inputs from other in-country resources into COSOP development process 3. Develop and test a prototype Results-based COSOP including a draft outline document and indicating the processes and resources required to develop it. 4. All new COSOPs from April 2007 will be based on this re-defined approach. Thus, undertake appropriate design work in about 10 countries to develop 10 results-based COSOPs per year from this date.	Processes and Tools for Results-based COSOP developed December 2006 Complete by December 2006 By April 2007 EB approves 10 Country Programme Strategies based on new Results-based COSOPs by April 2008
3. **New supervision policy being** implemented leads to **improved quality assurance rating of supervision**	1. Amend Agreement Establishing IFAD and other basic legal texts to enable IFAD to pursue a broader range of supervision options, including national and direct supervision. 2. Design policy and modalities for involving new supervision players 3. Subject supervision processes to an annual performance review and internal	GC approved amendment of Agreement and other texts in February 2006 New supervision policy operational December 2007 QAG report on new supervision reviewed

	quality assurance. 4. Develop process to integrate supervision findings into Knowledge Management	by management April 2008 Learning notes include supervision findings December 2006
4. Quality assurance system improved focus on critical design and implementation issues and portfolio performance assessment	1. Establish a quality assurance process and system that covers the programme cycle from design (PBA, COSOP, etc.) to implementation (including annual performance reviews of supervision) and evaluation, including self-evaluation 2. Develop self-evaluation system to oversee the consistent application of common approaches and methodologies for project design, innovation, and policy influence. 3. Implement beneficiary reviews of country programme proposals. 4. Peer reviews for Quality Assurance developed and tested	Quality Assurance Group established by December 2006 Portfolio review include evaluation results Quality Assurance processes and system developed by December 2006 1st QAG annual report reviewed by management by December 2007
5. New partnerships function satisfactory and improve results in strategic areas , and resulting in more effective approaches to rural poverty reduction	1. Identify areas for strategic partnerships with external centers-of-excellence, with organizations of the rural poor and with the private sector and establish legal, administrative and practical arrangements 2. Select and contract with centers-of-excellence to support policy, learning and other critical processes in the country programme cycle	Corporate partnership strategy reviewed by EB in September 2006 New partnerships function satisfactory and improved results in strategic areas December 2007
6. Country programme management approach is being adopted and implemented with partners	1. Elaborate country presence approach and integrate country programme requirements with lessons learned from field presence pilots to establish options for varying country circumstances(with resource implications) 2. Determine roles and responsibilities of country programme management team, including country actors, IFAD staff and third-party actors aligned with the requirements of the country programme cycle. 3. Elaborate scenarios regarding adjustments required in the HQ structure and resources to match the programme management and country presence requirements. 4. Select and contract with local partners, service providers, etc. to support country programme management 5. Assign, recruit, and/or train appropriate HQ staff	Country Presence proposals including HQ and in-country structural and resource implications approved by April 2007 September 2006 2006-2008 Refine country presence partnership options from December 2006

Change Driver 3 – Strengthen Learning and Knowledge Management

Purpose: *Learning and knowledge management become core processes that enable accumulation and dissemination of the collective experience of country programmes to enable quicker and more cost effective solutions to rural poverty and the adaptation and up-scaling of successful innovations.*

Background

Overcoming rural poverty is a complex task requiring interdisciplinary approaches and much adaptation to the unique cultural, economic, social, political and biophysical contexts. Innovation and context specific learning is thus key to successful rural development. Through its large number of field projects IFAD has an enormous experience base in which to stimulate innovation and from which to draw lessons. However, as with many international organisations it has proved difficult to put on place the knowledge management systems to stimulate such innovation and capture, disseminate and utilise relevant lessons and knowledge. Knowledge management systems often fail because they focus too much on the formalisation, collation and linear flow of information rather than on the processes and incentives for stakeholders to innovate, learn and adapt.

Strategic Directions

For IFAD the focus on knowledge management must be on the learning dynamics between the rural poor, researchers, rural development practitioners and policy makers. But Learning and knowledge generation does not happen simply spontaneously. It is necessary to identify key innovation challenges for rural development, both generally and for specific locations, and then put in place the mechanisms and processes to facilitate learning and knowledge generation around these challenges. This requires investments in learning networks and process that engage different stakeholders as well as in the mechanisms that enable formalised knowledge to be collated, accessed and disseminated. Given that IFAD works with rural poor people, knowledge processes will by necessity often be informal and require effective processes for integrating indigenous and scientific forms of knowledge and innovation. A further key resource for knowledge generation and learning is through better use of evaluations. Synthesis of evaluation findings can make important contributions to the common knowledge pool, while the processes by which evaluations are undertaken and findings shared can be an important contribution to the learning and empowerment of rural people and implementing partners.

Purpose	Performance results by 2009	
Learning and knowledge management become core processes that enable accumulation and dissemination of the collective experience of country programmes to enable quicker and more cost effective solutions to rural poverty and the adaptation and up-scaling of successful innovations	• Systematic dissemination and sharing of learning and policy best practices • Country programme elements consistently replicated and up-scaled by IFAD and others • IFAD's own knowledge is a principal source of downloaded knowledge from Rural Poverty Portal • Rural Poverty Report recognized as a principal source of analysis on rural poverty	
Outcomes	**Activities**	**Milestones**
1. **Learning and knowledge management framework in place enabling IFAD and partners to become effective learning organisations.**	1. Map all business processes regarding their capacities to generate, synthesize, assemble, disseminate and/or re-use internal and external knowledge. 2. Promote and adopt an active knowledge management culture in the organisation 3. Define knowledge exchange mechanisms and procedures especially at country, level	Knowledge Management Strategy developed by December 2006 Knowledge sharing integrated into performance appraisals for 2007 COSOPs include definition of knowledge objectives and strategy by April 2007
2. **Learning networks and knowledge generation programmes established and working effectively**	1. Strengthen knowledge management capacities and promote and adopt an active knowledge management culture in the organization 2. Document existing and new products, tools, and methodologies to facilitate implementation of Operating Model. 3. Implement knowledge exchange mechanisms and procedures at country, regional, and global levels. 4. Define, select and fund knowledge partnerships with international and regional centers of excellence	Rural poverty portal developed and successfully launched February 2007 IFAD documents and reports include role of KM in the subject matter by 2006 Executing agencies act upon KM findings and recommendations, monitor impact, ensure follow-up during project execution by December 2006 Partnerships selected and established by December 2006
3. **Improved policy engagement leads to increased influence and dialogue and concrete results at various intervention levels (country , region global).**	1. Develop and operationalize guidelines for policy engagement and dialogue at country, regional and global levels. 2. Engage in selective range of policy issues with key partners 3. Support development and sharing of knowledge about challenges and opportunities facing rural poor people 4. Introduce policy best practice publications	Guidelines for Policy Engagement Approved December 2006 Publications presented during 2007-2009
4. **Evaluation learning processes are integrated into country programmes**	1. Develop mechanism to recycle OE feedback into knowledge and learning processes. 2. Strengthen ARRI as a source of knowledge assets	New country programme operations use documented knowledge and learning

Change Driver 4 – Improved Institutional Capabilities
Purpose: *IFAD is equipping itself to provide the flexible financial, administrative, and human resources to respond to changing rural development requirements*
Strategic Directions   1. **Organisational culture and motivation** – The functioning of IFAD is underpinned by an organisational culture in which staff are further committed to the mission and strategy of the organisation, are innovative and results orientated and cross organisational collaboration and learning is valued.   2. **Work Processes and Organisational Structures** – Work processes and organisational structures have been aligned with the needs of a results orientated management, country programme approach, and innovation and knowledge management processes.   3. **Human Resource Capabilities** – A proactive human resource development programme is in place to ensure the organisation has the appropriate management, technical and process facilitation competencies to effectively and efficiently deliver on its mission and results oriented strategic framework   4. **Supportive and flexible financial and administrative systems** – Financial and administrative systems have been aligned with the needs of the results orientated management and country programme approaches and are delivering quality client orientated services.

Purpose	Performance results by 2009	
IFAD is equipping itself to provide the flexible financial, administrative, and human resources to respond to changing rural development requirements	• Appropriately-skilled and motivated staff meet individual and, consequently, corporate performance targets • Better measurable internal service delivery between IFAD departments • x% of IFAD staff appropriately skilled according to needs as defined by competency model as a consequence of training and recruiting.	
Outcomes	**Activities**	**Milestones**
1. HR division and HR functions in other divisions re-staffed and re-tasked to meet newly-defined role	1. Develop a recruitment and training strategy inclusive of succession planning 2. Re-define the respective role of HR division and IFAD's operational units	Recruitment and training strategy approved by end 2006 Presidents Bulletin on new HR roles and organisation by end 2006
2. HR Performance Management system fully operational achieves increasing satisfactory rating amongst staff and managers.	1. Introduce Key Performance Indicators (KPIs) and develop measurement tools including client feedback 2. Design awards, sanctions, and reinforcements to strengthen performance management system 3. Develop accountability framework to link corporate, divisional, and country-programme results with individual performance measures. 4. Include performance in country teams in individual performance indicators. 5. Compliance to expected corporate behaviours is included in Performance Evaluation system and career planning 6. Competency framework integrated in staff performance evaluation system 7. Launch Performance Evaluation System linking corporate plan priorities to individual performance	Performance management system fully operational by April 2007
3. Human resource base better trained, recruited and rewarded for performance against competency model.	1. Conduct workload analysis to determine optimal number and skills level of resources to implement Corporate Plan. 2. Complete pay-for-performance pilot and implement recommendations 3. Launch a training function for staff and managers based on competency model and operation skill requirements	Workload study results reviewed by Senior Management by April 2007 ICSC recommendations presented to Senior Management 2007 Training plan developed by December 2006

4. **IFAD management and staff adhere to behavioural changes that support and drive IFAD's cultural transformation**	1. Undertake cultural and behavioural changes analyses including impact of non compliance to ensure clear and common understanding	Behavioural and cultural change analyses and impact paper completed by December 2006
	2. Undertake process and procedure gap analysis and define remedial actions to ensure that processes and procedures support the required behaviours and values.	Complete review of processes and of procedures with alignment to required behaviours and values by December 2006 (starting at the beginning of 2006)
	3. Further define a coherent set of IFAD values (e.g. integrity, respect for diversity, value for people, solidarity….) through wide consultation process	Agreement on these IFAD values by March 2006
	4. Training on specific behaviours and values is planned, customised and implemented to support IFAD requirements	Training plan prepared by June 2006
	5. Upward feedback is implemented to ensure mgt commitment and example in driving the behavioural change	Training sessions undertaken on yearly basis starting June 2006
	6. Communication activities fully support the introduction and awareness of the new value system	Expected behaviours and relevant success stories are communicated throughout the house from 2006 onwards

Managing Change		
Results	**Activities**	**Milestones**
Programme Management Structure for Action Plan established with defined roles and responsibilities	1. Establish Steering Committee, reporting directly to the President, with representation from all departments, to develop an implementation plan, agree on roles, responsibilities and timelines. The Implementation Plan would build on SCP implementation experience ensuring internal ownership with design/implementation carried out by staff, with adequate support from external consultants for facilitation and management support, training, monitoring and quality control	September 2005 – April 2006
	2. Develop programme management structure and interfaces with operating units	December 2005
	3. Present Interim Progress Report to Board	December 2005
	4. Training for programme management team	Training completed by June 2006
Action Plan implementation launched	1. Develop management strategy including enhancing culture of performance and teamwork for implementation of the Action Plan	February 2006
	2. Formulate and present for Board review Implementation Plan taking into account the outcome of the Consultation on the Seventh Replenishment .	April 2006
	3. Develop and implement comprehensive communications plan and feedback mechanisms to engage and keep informed all staff of the Action Plan implementation progress	June 2006
	4. Management skills improvement training programme developed.	June 2006
	5. Steering Committee to monitor and supervise to ensure effective implementation of Action Plan	April 2006 – June 2009
Management progress report and external quality assurance reviewed by EB	1. Retain an external quality consultant to support IFAD's management in implementing the Action Plan	March 2006
	2. Regular progress meetings of Steering Committee programme manager and external quality assurance consultants to monitor implementation	Beginning April 2006
	3. Regular Progress Reports to Executive Board	September 2006 onwards