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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-seventh Session

Rome, 19-20 April 2006

ACTION PLAN

ELABORATION OF ISSUES RAISED BY THE EXECUTIVE BOARD

A. INTRODUCTION

1.   In approving the Action Plan at its Eighty-Sixth session in December 2005, the Executive Board requested further elaboration of issues raised during the discussion. The Action Plan is an ambitious and challenging set of initiatives for IFAD requiring coordination within the institution and integration with line functions and their input and the involvement of external stakeholders. This report addresses those issues on which the Board requested, as provided in EB 2005/86/C.R.P. 2/Rev.1.

Risk management mechanisms and instruments.

2.   Risk management involves risk identification, impact & probability assessment, risk mitigation, control and monitoring. During the implementation of the Strategic Change Programme risk management was an integral part of the overall implementation process with the development of risk registers and matrix together with regular updating and assessment. Issues such as 'failure to correctly define business requirements for software design' and 'inadequate technical skills' were identified and addressed. The Action Plan has therefore important lessons and experience to build on. Risk identification has been a feature of the work both of the working groups and of the supporting administrative structure, notably the Steering Committee, with the working groups reporting such risks to the Steering Committee since the Action Plan commenced.

3.   Risks have been defined at different operational levels. At the overall level, the issues of organisational structure, time management and funding have been identified. In terms of organisational structure this risk has been modified by broadening the terms of reference of the Steering Committee (as of March 1st) to encompass key activities previously undertaken by a Coordinating Committee and accountability and responsibility for outputs. Time management of staff is closely monitored. Selective use of both external resources and funding for replacement of staff contributes to specific outputs. The 2006 funding requirements of each working group have been examined in detail by the Steering

Committee and, as noted in the sections below budget ceilings and recurrent costs continue to be carefully monitored by the Steering Committee under the chairperson, the Assistant President FAD.

4.   At the working group level, risks that are being actively managed include coordination between Plan components and the integration of Action Plan activities with existing line functions. A one day retreat of the Steering Committee and working group chairs on March 2nd reviewed work plans and activities underway. A subsequent meeting with all working group members strengthened coordination and collaboration. This also addressed the risk of full institutional sponsorship for the Action Plan. Communication on the Action Plan activities is an important issue. A detailed communication plan has been prepared and is under review by the Steering Committee. An internal website provides all staff with details of the work and progress of working groups and questionnaires being used to get feedback on activities underway e.g. the development of results based COSOP and the initial work on revising the Strategic Framework. Coordination between groups and the timing and inter-dependence of activities and deliverables, a risk identified by some working groups in discussions with the Steering Committee, is being addressed by the use of critical path analysis together with standard project review and tracking tools, such as Gannt charts. Project Working Groups will regularly update these assessments. Overall risk management mitigation is carried out by the Steering Committee with input from the independent external adviser and with the support of the Secretariat. Additional external risk management resources, e.g. a specifically recruited risk management adviser, will be used as required.

Baseline indicators for future performance assessment, including for measurement of sustainability, partners, innovation, effectiveness/impact and efficiency.

5.   Initial definition of key performance indicators will be introduced into the main-stream budget and planning process in 2006, as departments and units are required to provide greater precision on what they seek to achieve in 2007 – and the indicators for knowing how well they are succeeding. This training, and learning-by-doing, will provide the foundations for further development of a more comprehensive set of indicators, subsequent to the finalization of the revision of IFAD's Strategic Framework and as part of the development of IFAD's system for management of development results

6.   Planned indicators will measure both effectiveness and efficiency. IFAD has already committed to comparison with other IFIs with respect to a high-level cost: programme value ratio. More detailed comparison and benchmarking is an ongoing development among IFIs, and IFAD is already participating in this work in the areas of Information Technology services and accounting. High level base-line data for IFAD's overall cost ratio have already been presented to the Executive Board in the context of budget discussions.

7.   The evaluation indicators of performance for programme effectiveness (including sustainability) have already been established in conformity with international standards and in collaboration with the Executive Board. Baseline data are being generated and reported within the framework of the ARRI. Performance data for ongoing programmes and projects are being brought together within the supervision reporting and the RIMS.

8.   The management of performance focuses on what can be immediately measured and controlled (and hence managed) – and on what is likely to have major consequences for development impact. In IFAD, this refers principally to the design of loan and grants and their implementation (including supervision, implementation support and involvement in mid-term reviews). Baseline data are available for project implementation and supervision within the context of the IFAD Portfolio Review. The introduction of a performance assessment and management dimension for country programmes, including knowledge management and innovation, will be developed through the country programme management team and the design and approval of the frameworks for both team accountability and interdepartmental accountability.

In addition, greater precision will be provided on IFAD's targeting of the rural poor.

9.   IFAD is preparing a policy on its approach to targeting. It will include indicators to monitor the implementation of the Policy. This policy, together with the Gender Plan of Action, will inform IFAD's Strategic Framework 2007-2010, the Regional Strategies, and the work of the Action Plan Working Groups. An interdepartmental Policy Reference Group has the responsibility to prepare the policy on targeting, which will be submitted to the Executive Board at its September session. Prior to that, there will be an informal seminar with the Board members.

The evaluation of the Action Plan by the Office of Evaluation, including the methodology to be applied and the indicators of objectives, performance and results will be developed.

10.   The Office of Evaluation will undertake an evaluation of the Action Plan and its results in terms of the mandate of OE established by the Executive Board in IFAD's Evaluation Policy in April 2003 and the Board's decision regarding the Terms of Reference of the Evaluation Committee in December 2004.

11.   In this regard, the Chairman of the Evaluation Committee, at the session of the Executive Board in December 2005, noted that he did not think that it would be proper to ask OE to monitor these (Action Plan) progress reports periodically before they come to the Board. OE needs to take a slightly more longer-term sort of perspective. He further noted that to monitor progress reports and to report to the Board is really not an evaluation function. Thereafter the Board agreed that a specific framework for the overall performance indicators for the evaluation of the Action Plan by the Office of Evaluation will be finalized, including the methodology to be applied. The indicators of objectives and results will also be developed.

12.   The framework and methodology that OE has developed in response to this request is set out in Annex I.

The new country-team approach: the lines of accountability for country teams and the principal role of the Country Programme Manager (CPM).

13.   A new country programme management team (CPMT) approach has been developed in response to the IEE finding that country programme managers tend to operate in stand-alone mode, that IFAD is becoming over-dependent on consultants for its institutional knowledge and that developing member countries could avail themselves of a broader range of knowledge from within the organisation.

14.   CPMTs will be led by the CPM and comprise staff from relevant functional units in IFAD. Compared to the current advisory PDT, the CPMT goes beyond the *ad hoc* voluntary membership of one technical advisor, one loan administration officer, one legal officer and the regional economist. The CPMT would also include staff, as required, from the policy, communication and resource mobilisation divisions as well as staff from other units. The CPMT will operate on a mandatory, systematic and continuous basis throughout the entire country programme process. The CPMT will enhance and assure quality and all its members will substantively contribute to the CPMT's outputs, results and outcomes. The CPMT will integrate IFAD's in-country teams which will become more defined and structured and accountable for results.

15.   While the CPM remains unambiguously accountable for country programme results, each member of the CPMT will have specific functional roles within the team and be accountable to the CPM for the results of their contribution. This will require, as an intended deliverable, a specific framework of roles, responsibilities, reporting and accountability lines of the CPMT and the CPM. The functional

supervisors of all CPMT members will ensure delivery of results by their staff members, and the annual PES will be the instrument to administer this new accountability framework.

A quality assurance system reflecting best practices of international financial institutions.

16.   IFAD is committed to upgrading its quality assurance system in the light of the experience and best practices of leaders in this area, particularly other IFIs. Strong quality assurance systems have two elements: clear and agreed standards and rigorous assessment. Most of this is internal to organizations: they establish their own standards and they are responsible for ensuring that products meet or surpass them. IFAD's quality assurance system will be made   more explicit, uniform and comprehensive. The accountability for quality, including self-certification, must be more rigorous. Under the Action Plan, work has commenced on developing an obligatory set of quality standards and quality assessment processes for its major products/services, starting with projects-at-entry – in alignment with evaluation standards (for projects), policy, lessons learned and strategic objectives and priorities. These guidelines for quality at entry, design and implementation are scheduled for review by management in the fourth quarter 2006. Baseline data on performance against quality indicators will be accumulated after those indicators are "set" and applied – from late 2006.

17.   Confidence in the quality assurance tool and its assessments is strengthened by independent validation of the working of the system. Hence, for example, the role of the Quality Assurance Groups in the World Bank, which is not to produce a quality review of projects before they are approved – but, inter alia, to do a selective reviews of projects after they are approved to see how well the internal quality assurance system is working, and to identify areas of strength and weakness. Correspondingly, under the Action Plan IFAD will develop a system to ensure regular, arm's length, quality assurance processes of IFAD's projects and programmes. IFAD will also involve third-party groups in regular reviews of the overall quality assurance system, at a level commensurate with the perceived risk of error in IFAD's internal system.

The Action Plan, as the second phase of the Strategic Change Programme, will function within the established budget ceiling of USD 9.5 million.

18.   Following approval of the Action Plan budget by the Executive Board at its 86th session in December 2005 the Working Groups, supported by the Action Plan secretariat, have finalised detailed financial plans for 2006 and framework plans for 2007. In line with IFAD's decentralised budget procedures, the 2006 funds have, through a separate fund code, been entered into the financial system with the individual working group chairs and the Secretariat as budget holders responsible for use of funds. Commitment of funds over and above the allocated budget amounts is not possible. Standard PeopleSoft budget reports show utilisation of overall Working Group and sub-activities. The work initiatives such as the Institutional Support Programme (ISP), supported by DFID, which support corporate planning, HR improvements, knowledge management and IFAD's contribution to the development of Poverty Reduction Strategies (PRSs) have been incorporated into the respective working groups of the Action Plan.

The recurrent cost implications of the Action Plan, including field presence, will be determined with the requirement that administrative expenditures as a percentage of the programme of work do not increase from the 2006 level.

19.   The detailed planning of the working groups, particularly the group on the New Operating model, is being done on the basis of adherence to the 17.1% percentage norm established with the approval of the 2006 Programme of Work and Budget. This takes into account both the resources available under the administrative budget and the resources of the PDFF.

Coordination and Integration across IFAD and the incorporation of human resources aspects.

20.   All Working Groups are made up of IFAD staff from across all Departments. Both the Steering Committee and Secretariat have representatives from the three Departments and working groups and their sub-groups are accountable for coordination on specific activities as required. Coordination is not seen solely as an Action Plan requirement but as part of the day to day functions within IFAD. This is supported by information provided on the IFAD intranet's website for the Action Plan and is within an overall communication plan. The Steering Committee has paid particular attention to this issue. A further critical aspect has been the need to coordinate and integrate the activities of the Action Plan into existing line functions, not only to assist and complement the development stage but also to lay the basis for implementation through line functions.

21.   Each working group has identified special areas of need regarding human resources. This ranges from a workload study to complement the work of the New Operating Model and the HR needs of the country programming approach to the need for changes in attitudes and behaviours as identified by the knowledge management and innovation group. Furthermore, a 'virtual' group working across the Action Plan provides the necessary support for developments within the HR division and supports change management across the institution. The work plan for this group, (made available to all IFAD staff through the Action Plan section on the IFAD intranet and 'log-in' screen) has highlighted the integration approaches required, the need for consultations with each of the other working groups, and the need for the sequencing of activities such as the workload analysis followed by the competency gap analysis, training and change management.

The Action Plan will accord a high priority to the definition, requirements and the potential risks associated with increased innovation.

22.   One of the three working groups has specific responsibility for innovation as part of the Action Plan. The Knowledge Management and Innovation working group has responsibility to ensure that innovation is given the required importance and the strategies for both these issues may be consolidated into a single overall document submitted to the Executive Board. At the same time the Innovation Mainstreaming Initiative (IMI), supported by DFID, has continued to develop both the institutional basis and necessary project support for innovation work. The scouting for existing innovations at country level is being pursued, supported by innovation grants. This will also bring to the fore the analysis required on what innovations are to be considered as 'replicable' and the time and resources required, together with the assessment of risk.   The recent 'output to purpose' annual review of the IMI has highlighted progress made and at the same time identified issues that require greater focus including, for example, the role of the private sector.

IFAD's contribution to country-level coordination within the framework of the Triennial Comprehensive Policy Review, and the United Nations Secretary-General's initiative for greater systemic coherence and tightly managed entities.

23.   The Triennial Comprehensive Policy Review (TCPR) adopted by the General Assembly (UNGA Resolution 59/250) provides an intensive review of UN operational activities and focuses on a number of issues for strengthening the impact of UN system activities at field level. Among these issues, four central ones are: alignment with national development plans, strengthening of the Resident Coordinator system, simplification and harmonization of procedures and processes and gender mainstreaming.

        (i) alignment with national development plans: IFAD projects and programmes are developed within country strategy and priorities and linked to PRSPs, sector strategies and national development plans and work within countries' own systems, to the extent that these adhere to best practices and industry standards;

(ii) <u>strengthening of the Resident Coordinator system:</u> The lack of permanent IFAD country presence has long been seen as a constraint to engaging fully in country level coordination mechanisms. In the countries where the Field Presence Pilot (FPP) is under way there are of course greater opportunities to engage in such mechanisms, (currently, at least seven of the IFAD field presence initiatives are located in the offices of the UNDP Resident Representative). Both in the limited number of countries where there is direct field presence as well as in other programme countries, IFAD will definitely intensify its country-level engagement under the New Operating Model. In this context, IFAD will work increasingly within the framework of the Resident Coordinator system and the UN country team;

(iii) <u>simplification and harmonization of procedures and processes:</u> The new operating model puts IFAD into partnership mode: partnership with government; other in-country stakeholders; and a range of external development partners. This approach builds on the Paris Declaration, with its emphasis on donor harmonisation and alignment under country leadership and ownership. It will provide IFAD greater potential to play a more active role in coordinating our programmes with those of other institutions under the leadership of the country concerned; and,

(iv) <u>gender mainstreaming:</u> In line with the recommendations of TCPR and other inter-governmental mandates (ECOSOC Agreed Conclusion 1997/2 on Mainstreaming a Gender Perspective in all Policies and Programmes for the United Nations), IFAD is implementing a Gender Plan of Action and is supporting the work of gender focal points and a gender theme groups. The IFAD gender programme is also contributing substantively to interagency coordination on gender and indigenous women.

24. **The High-level Panel**. Following the Outcome Document of the United Nations Summit in September 2005, the Secretary General of the United Nations has established a High Level Panel on UN System-wide coherence. The membership consists of a number of Presidents, Prime Ministers and Senior Ministers from both developed and developing countries as well as development practitioners of wide experience. The Administrator of the United Nations Development Programme and the President of IFAD are ex oficio members of the Panel in their capacities as the Chairman of UNDG and the Chairman of the HLCP respectively.

25. The Panel has been asked to review the work of the United Nations system in particular with a view to promoting tightly managed entities in the development, environmental and humanitarian areas. The overarching aim is to seek recommendations on a process of rationalization that will maximize the available resources for relief and development programmes in the UN system while minimizing overhead and administrative costs. The Panel is at a very early stage of its work and expected to have its first meeting in April 2006 with a view to completing its report for submission to the General Assembly in its Autumn session.

The need for a medium-term plan will be reviewed given the new strategic framework and other policy documents.

26. The revision of IFAD's strategic framework scheduled for presentation to the Executive Board in December 2006 will define where IFAD's comparative advantage lies, its areas of strategic focus, and the principles guiding IFAD's engagement with development partners. This framework of principles for guiding the articulation of strategy will be supplemented by specific policies, e.g. in relation to targeting, which will be integrated into quality standards and quality assurance processes. In other multilateral organizations performance management has often been articulated in medium-term strategic plans defining both individual targets and the way they should be coordinated to reach high level objectives. Analysis under the Action Plan is ongoing relative to the role and function of medium term plans and strategies in improving development. Simultaneously, a stock-taking of existing planning,

monitoring and performance management instruments in IFAD is underway. In the light of the outcome of this work, IFAD will assess the need for a medium-term plan or other management tools.

Policy and strategy documents deriving from the Action Plan will be presented for Executive Board approval. In addition, the Executive Board will monitor progress regularly through an annual progress report on implementation of the Action Plan at its December session, with updates at other sessions.

27.   This report constitutes the requested elaboration of issues and there will be oral updates at the April and September Boards to be followed by the annual progress report for the December Executive Board.

OE's Approach to the Evaluation of the Action Plan

1.   It was decided by the Executive Board that in 2007 OE will undertake an independent evaluation of the Action Plan to be discussed at the December session of the Board, prior to the commencement of the Consultation on the Eighth Replenishment in February 2008. In 2006/7, the Board is scheduled to review and approve eleven Action Plan deliverables[1] consisting of new policies, strategies and initiatives, that are expected to enhance the Fund's development effectiveness in the future. Similarly, during the same period, IFAD Management is planning to approve and put in place a number of strategies, guidelines and other arrangements in the three action areas on which the Action Plan will be based, namely *Strategic Planning and Guidance, New Operating Model and Knowledge Management and Innovation.* But at this point in time, the Action Plan has not yet been fully designed, let alone implemented. Hence, it is not realistic to plan an evaluation of the results of the Action Plan in terms of its effectiveness and impact in 2007. Thus an evaluation at that time would be largely a process evaluation – a challenging study in its own right – given that some of the components of the Action Plan process will not yet be fully deployed.

2.   The Action Plan is an internal reform process performed by IFAD that involves changes in several management and operational processes. It is important that OE's evaluation is not interpreted as a source of management advice during the initial stage of the Action Plan – as this would not be in line with the nature of OE's function Plan – as set forth by the IFAD Evaluation Policy. There is also the need to scale down unrealistic expectations and focus on those aspects of the Action Plan in which OE has evaluative experience and knowledge that can help the Board in the assessment of the overall quality of the Action Plan process.

3.   As explained in the two preceding paragraphs, the conduct of a classical results and impact evaluation of the Action Plan that culminates in a single report at the end would be premature and not possible in 2007. Instead, OE would therefore like to propose conducting a formative evaluation that will focus on the implementation process of the Action Plan. Concretely, this process evaluation will deliver a number of real time *evaluation* notes starting already in 2006[2] and covering the period 2006/7 of the implementation process of the Action Plan, resulting in a final summary OE report to be presented at the end of 2007. These evaluation notes will provide an independent assessment of key components of the Action Plan, on which OE has evaluative experience and knowledge. The scope of these evaluation notes will mostly consist of an assessment of the evaluability of the policies, strategies, instruments and processes presented by IFAD management and whether (i) they have taken into account lessons learned from past evaluations and (ii) they are in line with good practice standards.

4.   With the approval of its new terms of reference and rules of procedures in 2004, the Evaluation Committee is now expected to review and advise the board on revisions to corporate level policies that have been evaluated by OE or to new policies that have emerged as a follow-up to OE evaluations, prior to the discussion of these documents at the Board. Therefore, the evaluation notes will be discussed in the Evaluation Committee prior to their submission at the Executive Board in 2006/7.

5.   The evaluation is expected to produce three categories of evaluation notes. The first one will cover the implementation of the Action Plan in core areas of OE' s competency that pertains to self-evaluation such as:

   a)   the overall evaluability of the Action Plan, including an assessment of its monitoring and evaluation architecture as well as its results framework; and

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[1] *see EB 2005/86/R.2/Rev.1*
[2] rather than in 2007 as per the OE Work Programme

b)   the quality of the proposed self-evaluation system, with particular emphasis on the new Quality Assurance mechanism.

6.   The second block will consist of evaluation notes containing OE's comments on each of the following documents that constitute the majority of the eleven Action Plan deliverables that IFAD Management will submit to the Executive Board in 2006/7[3]:

    a)   Revised Results-based COSOP Framework;
    b)   Revised Project Approval Format
    c)   Revised Strategic Framework for 2007-10
    d)   Supervision Policy
    e)   Report on IFAD Development Effectiveness Report
    f)   Progress Reports on Action Plan Implementation

7.   Moreover, it should be noted, that as per its current 2006 Work Program, OE will conduct and present to the Board in September 2007, the result of the evaluation of the Field Presence Pilot Program, which is also considered one of the deliverables that IFAD Management has to present to the Executive Board as part of the Action Plan.

8.   The third category of evaluation notes will cover a number of other major policy and strategy deliverables that, though not part of the list mentioned in paragraph 6 above, IFAD Management is expected to produce as part of the implementation of the Action Plan in the critical fields of targeting, knowledge management and innovation.

9.   To recap, Table 1 below summarizes the schedule of delivery of the various evaluation notes:

Table 1

Evaluation Note	Delivery Time
1. *Self-evaluation*	
a) Evaluability of the AP	September 06
b) Self-evaluation and Quality Assurance	07 (*to be determined*)
2. *Action Plan deliverables for the Board*	
a) New COSOP Framework	September 06
b) Revised Project Approval Format	September 06
c) Supervision Policy	December 06
d) Revised Strategic Framework	December 06
e) Development Effectiveness Report	December 07
f) Annual Progress Reports on the AP	each year in December
3. *Other major deliverables*	
a) Policy on Targeting	September 06
b) Knowledge Management Strategy	December 06
c) Strategy on Innovation	07 (*to be determined*)
Action Plan (AP)	

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[3] in accordance with figure 4 of document EB 2005/86/R.2/Rev.2

ANNEX I

10.   The preparation of a total of 11 evaluation notes, 8 of each alone in the course of the current year, will represent and extraordinary additional workload for OE, especially in 2006. This will also require a change in the agreed agenda of the Evaluation Committee as well as in the OE work programme for 2006, including a reassessment of OE's resource requirements. The implications of these changes will be discussed by the Evaluation Committee which will make a corresponding recommendation to the September Session of the Board.