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Enabling poor rural people
to overcome poverty

Final progress report on implementation of IFAD's Action Plan for Improving its Development Effectiveness

Executive Board — Ninety-second Session
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For: **Information**

Note to Executive Board Directors

This document is submitted for the information of the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal points with any technical questions about this document before the session:

Gunilla Olsson

Executive Director of the Action Plan
telephone: +39 06 5459 2581
e-mail: g.olsson@ifad.org

Edward Heinemann

Programme Manager, Action Plan
telephone: +39 06 5459 2398
e-mail: e.heinemann@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer
telephone: +39 06 5459 2374
e-mail: d.mcgrenra@ifad.org

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Abbreviations and acronyms

APMT	Action Plan Management Team
COSOP	country strategic opportunities programme
CPM	country programme manager
FAO	Food and Agriculture Organization of the United Nations
HR	human resources
IEE	Independent External Evaluation (of IFAD)
KSF	key success factor
MfDR	management for development results
QA	quality assurance

Final progress report on implementation of IFAD's Action Plan for Improving its Development Effectiveness

I. Introduction

1. At its eighty-sixth session in December 2005, the Executive Board approved IFAD's Action Plan for Improving its Development Effectiveness ("the Action Plan"). The Action Plan aims to provide both the basis for implementing Management's response to the Independent External Evaluation (IEE) of IFAD¹ and – as the name suggests – a framework for realizing the changes and renewal needed to improve its development effectiveness and impact. As was explained to the Governing Council the following February (document GC 29/L.4), the Action Plan would be "the principal vehicle for internal change in IFAD over the Seventh Replenishment period". A further document (EB 2006/87/R.2), presented to the Executive Board in April 2006, provided elaboration of a number of key issues raised in the discussions in December 2005.
2. In approving the Acti89/R.on Plan, the Executive Board requested that Management not only provide it with regular updates at all of its sessions, but that it also submit an annual progress report each December on implementation of the Action Plan. This is the second and final progress report (following that of December 2006), and it follows oral progress reports presented at the Executive Board sessions in April and September 2007.
3. Since this is the last such report scheduled for presentation to the Executive Board, it aims to provide not only a review of progress achieved since September 2007, but also a more comprehensive overview of progress achieved under the Action Plan since its start-up in early 2006. Its principal message is that the Action Plan is on track: most of the agreed outputs have been delivered and they are already transforming the way IFAD does business. The focus is now shifting to mainstreaming the systems and tools established and sustaining the momentum of change.

II. Overview of the Action Plan

Goal and areas of focus

4. The overarching goal of the Action Plan is to improve IFAD's development effectiveness by addressing three critical dimensions of its performance: relevance, effectiveness and efficiency.
5. The December 2005 Action Plan document (EB 2005/86/R.2/Rev.2) defined more than 40 deliverables, 11 of which were to be presented to the Executive Board, in the three broad areas of: strengthening IFAD's strategic planning and guidance; enhancing project quality and impact; and improving knowledge management and the capacity to promote innovation. A fourth area – strengthened HR management – was identified as essential to progress in the other three areas and was also targeted for action.
6. The deliverables of the Action Plan were scheduled to be prepared, approved and, in large measure, implemented during 2006 and 2007. During 2008, changes and reforms would be consolidated and mainstreamed in line functions.

Management for development results

7. Consistent with its commitment to the Paris 'aid effectiveness' agenda,² IFAD has adopted a management for development results (MfDR) approach in its projects and

¹ The report of the Independent External Evaluation of IFAD was issued in September 2005.

² Organisation for Economic Co-operation and Development/Development Assistance Committee, *Paris Declaration on Aid Effectiveness* (Paris: 2005).

associated country programmes – and within the organization itself. Effective mainstreaming of MfDR is central to the Action Plan and, indeed, is critical to its success.

8. IFAD's MfDR agenda focuses above all on establishing coherent, linked systems and tools to plan, monitor and assess results. The approach is underpinned by a number of key principles:
 - The Fund's strategic objectives are clearly defined and stated.
 - All systems, processes and resource use (human and financial) are focused on, and geared towards, the achievement of those strategic objectives.
 - All systems, processes and resource use are managed to be consistent and aligned with each other.
 - Progress in achieving the strategic objectives is proactively monitored, and this information is used in decision-making and learning.
9. All Action Plan outputs conform to these principles and contribute to their taking root across the organization. Thus the IFAD Strategic Framework 2007-2010 (see paragraphs 25-26 of the present document) articulates the strategic objectives; the Results Measurement Framework (paragraphs 31-33) provides a mechanism for monitoring progress in achieving them; and all of the other deliverables (section V) are focused on achievement of the organization's strategic objectives and are fully consistent and aligned.
10. In overall terms, the way in which the Action Plan has promoted alignment of deliverables with strategic objectives, ensured coherence among deliverables and contributed to progress monitoring is perhaps its most important achievement. It represents a significant contribution to the mainstreaming of MfDR at both country and organizational levels and provides at least part of the basis for sustaining these results.

Working closely with the Executive Board

11. Throughout implementation of the Action Plan, Management and the Executive Board have worked closely, and Executive Board support of Management has been important to the success of the plan. Eight informal Board seminars on draft versions of the deliverables have been held.³ In all cases, the final version of the deliverables has been enriched by the interaction and comments received.
12. More broadly, early Executive Board participation in preparation of the deliverables has served to establish consensus between Management and the Board on their broad direction. It has brought outside expertise and informed views to the deliverables, enhancing their quality; has served to inform the Board of the function of the deliverables within the larger MfDR agenda; and has contributed to establishing a valuable relationship of collaboration and trust between IFAD Management and the Executive Board. Management is convinced of the value of such interaction and proposes to continue it in the future as a working method for corporate strategic documents. The engagement of Executive Board Directors can be further enriched by facilitating field visits to IFAD-supported projects and by convening induction workshops for new Directors.

Risk management

13. Although risk management was not explicitly considered in the December 2005 document, the need to identify, assess and mitigate the risks associated with Action Plan delivery was recognized early in the implementation phase, and an Action Plan risk register was developed in April 2006. The register has been regularly reviewed

³ On the targeting policy, Strategic Framework, knowledge management strategy, innovation strategy (twice), results framework, field presence pilot and the report on IFAD's development effectiveness.

since, and will be updated prior to this session of the Executive Board and prior to being subsumed into the corporate risk management matrix. Risk analysis has identified actions to mitigate risk, which have included the strengthening of working groups in terms of both financial and human resources (HR): here, the HR and organizational culture agenda (paragraphs 35-38) provides an obvious example. More broadly though, analysis of the relevant risks and of their potential impact on other deliverables was one of the main drivers of the adjustments made to institutional arrangements for the Action Plan (section IV), and of the establishment in March 2007 of a dedicated HR subgroup with an increased budget.

III. Learning by doing

14. During implementation of the Action Plan, IFAD Management has taken a proactive approach to learning. It has regularly taken stock of implementation experience, has taken on board the lessons learned, and has responded, where necessary, by making adjustments to institutional arrangements and deliverables.
15. In early 2007, Management conducted a major review of the implementation experience of the Action Plan. It concluded that while good progress had been made during 2006 in achieving the deliverables, a number of important lessons needed to be internalized. Six related lessons were of particular importance:
 - **Upgrading human resource management issues.** The original Action Plan document indicated that IFAD would pursue human resource reforms to support the recommendations of the working groups. The rapid implementation progress in other areas of the Action Plan during 2006 meant that there was a need to move faster and more substantively than planned on HR management issues. It became evident that a comprehensive, institution-wide approach was needed for addressing these issues – one that could deliver more, in a shorter time frame.
 - **Organizational culture.** A prerequisite for the internalization and sustainability of change is an organizational culture that enables this to take place. It was increasingly recognized that IFAD needed not only to define the organizational culture that would enable it to attain its goals and strategic priorities, but also to take active steps to create that culture.
 - **Communication.** During 2006, communication efforts focused primarily on fully informing the Executive Board of progress achieved under the Action Plan. It was recognized that more attention needed to be given to internal communication, and to ensuring that all staff understand what the Action Plan is seeking to achieve, believe in it and become active supporters of the changes taking place.
 - **In-country leadership.** The initial focus on a new operating model was explicitly on IFAD's business process. Yet the way in which IFAD works at the country level is increasingly shaped by the principle of in-country leadership, and there was a recognized need to focus on how IFAD could best respond to this new reality. The key was to pilot new forms of country-level engagement that would enable IFAD to contribute proactively to the complementary agendas of aid effectiveness (incorporating such issues as joint assistance strategies, sector-wide approaches, etc.) and United Nations reform ('One UN').
 - **Operationalizing the Action Plan.** The Action Plan starts, not finishes, with the approval of deliverables. A key challenge in 2007 was to operationalize the deliverables – and, above all, those related to IFAD's country-level engagement. This required: commitment by managers and experimentation by staff; a shift in focus from Rome to the field and from

documentation to action; and piloting of a range of initiatives for improved country programme management, project supervision, partnership development, innovation and knowledge management.

- **Involving the Senior Management Team.** With the coming on board of IFAD's new Senior Management Team during the second half of 2006, it was recognized that the Action Plan's success depended on the new Senior Management Team members taking ownership of it, both individually and collectively. On the one hand, they would be needed to actively lead the Action Plan and champion the deliverables and their implementation; on the other, they would have an important role in engaging staff in an open and transparent dialogue on what the Action Plan would mean for them.
16. In response to these lessons, in March 2007 a number of key modifications were made to the Action Plan and the institutional arrangements for its delivery. The current arrangements are described in section IV.

IV. Reshaping institutional arrangements

17. Following the review exercise in early 2007, the institutional arrangements for the Action Plan were reshaped. The key elements of these arrangements remain in place today:
18. The **Action Plan Management Team (APMT)** was reconstituted to directly involve the Senior Management Team. Led by the Executive Director of the Action Plan, Gunilla Olsson, the members in 2007 comprised Matthew Wyatt, Jessie Mabutas and Kevin Cleaver (Assistant Presidents, External Affairs, Finance and Administration, and Programme Management), and Gary Howe, Senior Director for Strategic Planning, Budget and Resource Management. In discussions of specific issues, and whenever necessary, they have been joined by the leaders of the subgroups under the three larger working groups. Throughout 2007, the APMT has met weekly in order to:
- provide strategic guidance and oversight to the working groups in the process of delivery preparation;
 - promote consistency and coherence among deliverables;
 - review, approve and – above all – champion the deliverables; and
 - monitor implementation of the Action Plan deliverables and assess their impact.
19. The **working groups** were reconfigured to accommodate outstanding Action Plan tasks and emerging priorities. Each working group now comprises subgroups working on specific, related topics. All are limited in time, scope and participation to allow for maximum efficiency and flexibility. As soon as is feasible, working group responsibilities and/or activities pass to the appropriate line functions. Indeed, a number of subgroups (for example, those on the Strategic Framework or the policy process) have already been concluded.
20. Each working group is led by a member of the APMT in order to ensure management support for the deliverables. They are all supported by a selected membership from across departments and from the Action Plan secretariat, whose specific role has been to ensure consistency and coherence. All working group leaders are budget holders for those activities falling under their groups, and thus are responsible for managing and monitoring the use of Action Plan resources. A substantial number of staff at all levels have either participated directly in the working groups or have been involved through focus-group discussions, consultations and surveys.

21. The three working groups were redefined as follows:
- **Organizational effectiveness and human resource management**, with subgroups working on: (i) IFAD's Results Measurement Framework; (ii) IFAD's report on development effectiveness; (iii) human and financial resources alignment; and (iv) cultural change.
 - **Country-level engagement**, with subgroups working on (i) country-level engagement through IFAD's new operating model; (ii) engagement in the United Nations reform and aid effectiveness agendas; and (iii) IFAD's internal quality enhancement/assurance systems.
 - **Knowledge management and innovation**, with subgroups responsible for preparing IFAD's (i) knowledge management strategy and (ii) innovation strategy.
22. The **Action Plan secretariat** was also reconfigured, and has played a key role in 2007 in ensuring delivery of Action Plan outputs. The secretariat is headed by the Executive Director of the Action Plan, who reports to the President and is accountable for overall delivery of the plan. Secretariat staff participate actively in the working groups, closely monitor and regularly report on progress achieved in the delivery of outputs and their subsequent implementation, and support the APMT as required. The secretariat currently consists of two members (Monica Bugghi and Edward Heinemann), in addition to the Executive Director. One other member (Richard Aiello) has moved to the Office of Human Resources in order to contribute more effectively to the change agenda there.

V. Review of deliverables

23. To date, the Action Plan is on track. A total of 27 deliverables have already been completed, 11 of which have been approved by the Executive Board. Only three are still to be approved by the Executive Board, and all will be presented to its December 2007 session. A further six are expected to be completed by end-2007 and all other remaining deliverables early in 2008. Most of these are in the area of HR management and alignment; they are the added deliverables for which Management identified a need in the course of Action Plan implementation.
24. As each of the deliverables has been approved, the focus has changed to mainstreaming these systems and tools in IFAD's core business processes. Here, too, progress is being made, and both individual and mutually supporting groups of deliverables have already begun shaping the organization's business processes and systems and, consequently, IFAD's activities at the country level. The principal deliverables completed over the life of the Action Plan and their impact to date are summarized in the paragraphs below.

Organizational effectiveness and human resource management

25. **IFAD Strategic Framework 2007-2010.** The Strategic Framework was developed during 2006 and approved by the Executive Board in December of that year (document EB 2006/89/R.2/Rev.1). The framework articulates how IFAD can best discharge its mandate and use the instruments at its disposal to maximize its contribution to reducing rural poverty. It recognizes, and responds to, the changing nature both of global poverty and of international development architecture – and particularly the Paris aid effectiveness agenda. It identifies IFAD's comparative advantage and defines IFAD's hierarchy of development objectives,⁴ its key

⁴ IFAD's strategic objectives are that "poor rural men and women have better and sustainable access to, and have developed the skills and organization they require to take advantage of: natural resources (land and water); improved agricultural technologies and effective production services; a broad range of financial services; transparent and competitive agricultural input and produce markets; opportunities for rural, off-farm employment and enterprise development; and local and national policy and programming processes".

principles of engagement,⁵ and the thematic areas of its work. It also explains how IFAD is to be managed and organized in order to deliver on the development objectives defined.⁶

26. Since its approval, the Strategic Framework has guided all subsequent deliverables. For example, it has provided the strategic priorities for: results-based country strategic opportunities programmes (results-based COSOPs), the project design process, the quality enhancement/assurance systems, and the supervision guidelines; it has also contributed to shaping the knowledge management and innovation strategies. Its hierarchy of development objectives was the starting point for IFAD's results framework. And as the starting point for IFAD's MfDR agenda, it has also contributed to priority setting in budgetary processes – particularly to the strategic priorities for a results-based programme of work and to the ongoing exercise of human resources alignment.
27. **Policy process.** Responding to concerns of the IEE that IFAD had few operational or sectoral policies, and that policy development had not kept pace with its evolving strategic agenda, a new process for developing, applying and monitoring compliance with IFAD policies was introduced. The process covers a broad range of corporate policies, which serve to guide IFAD's engagement and operations in achieving the objectives defined in the Strategic Framework. It focuses particularly on policies in sectoral areas of investment and thematic issues of importance to IFAD, but is also to be applied to policies on IFAD's core functions. The process has already been partly piloted through recently developed policy and strategy documents (targeting, knowledge management and innovation), and it is currently being used for the development of a policy on land access and tenure security.
28. The policy process recognizes the importance of monitoring compliance with and assessing the impact of IFAD policies. A framework for monitoring compliance with key policies in country programmes and projects has been established through the requirements of the results-based COSOP (paragraphs 39-40), the quality enhancement/assurance systems (paragraphs 44-49) and the supervision guidelines (paragraphs 51-52), while the impact of policies is assessed through the Results Measurement Framework (paragraphs 31-33).
29. **IFAD targeting policy.** The Strategic Framework highlights targeting as one of the five IFAD principles of engagement that should be reflected in all IFAD activities. The IFAD Policy on Targeting approved in September 2006 (document EB 2006/88/R.2/Rev.1) establishes a common understanding of what targeting means to IFAD. In the context of IFAD's target group – rural people living in poverty and experiencing food insecurity – the policy argues that IFAD must reach out to “extremely poor people who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income-generating activities”. In practice, this group varies considerably according to local conditions. It includes those whose economic livelihoods are dependent on crop production, livestock, fishing, harvesting of forest products, agroprocessing and small-scale commerce. There is a particular focus on women, not only because they have less access than men to assets and services and less voice in public decision-making, but also because a focus on rural women has a major impact on growth, poverty reduction and household food security. In some regions, indigenous peoples and ethnic minorities are an important part of IFAD's target group.
30. The policy also outlines general principles to guide IFAD in identifying and reaching the target group, and the methods and means it will use to this end. It also provides

⁵ IFAD's principles of engagement are: "selectivity and focus; targeting; empowering poor rural people; innovation, learning and scaling up; effective partnerships; and sustainability".

⁶ The December 2005 Action Plan (document EB 2005/86/R.2/Rev.2) indicated that Management would prepare a medium-term plan for the organization. The need for such a plan was reviewed in the light of the comprehensive Strategic Framework (supported by the Results Measurement Framework and complemented by a range of policy documents); and it was agreed with the Executive Board that this particular deliverable would be cancelled.

an overview of how targeting is addressed in the context of IFAD's operational instruments. The Fund's targeting approach is increasingly informed by poverty reduction strategy programmes and governments' own understandings of rural poverty; at the same time, IFAD's experience in targeting rural poor people is an important element in its policy dialogue with the governments of its Member States. Guidelines on poverty and livelihoods analysis have been drafted to assist staff in effectively implementing the policy.

31. **Results Measurement Framework.** In approving the Strategic Framework, the Executive Board requested Management to present a results framework in September 2007 that would enable the Board to monitor progress being achieved by the organization on the hierarchy of development objectives at the heart of the Strategic Framework.
32. The Results Measurement Framework, which was approved by the Executive Board in September 2007 (document EB 2007/91/R.2), will enable Management to report on progress: (i) in achieving the goals and objectives defined in the Strategic Framework and (ii) in consistently applying the key principles of engagement articulated in the Strategic Framework. Drawing upon best practice in comparable institutions, the results framework uses only six indicators to assess the quality, performance and impact of IFAD country programmes and projects at entry, during implementation and at completion. In line with the methodology used by the IFAD Office of Evaluation and by comparable functions in other organizations, a six-point scale will be used to assess the success of IFAD-supported programmes and projects in achieving the results measured by the indicators. Management is reporting to the Executive Board at this session on progress achieved in establishing the results framework.
33. The Results Measurement Framework will draw on existing data sources wherever possible, and the subgroup has already made some progress in assigning numerical ratings to each of the six indicators. One new reporting tool is a partner/client survey:⁷ a questionnaire has been drafted and a methodological framework developed. It is envisaged that the survey will be sent annually to a subset of IFAD's key partners in all member countries in which IFAD has an ongoing COSOP, and piloting is expected before the end of 2007. The Results Measurement Framework will be fully implemented in 2008. A report on its findings will be included in the Portfolio Performance Report (and drawn upon in the report on IFAD's development effectiveness) for presentation to the Executive Board in December 2008.⁸
34. **Planning, budgeting and reporting.** During the first part of 2007, Management developed the strategic priorities for a results-based programme of work, Programme Development Financing Facility and budget of IFAD and its Office of Evaluation for 2008, as well as the structure and content for the report on IFAD's development effectiveness. In September 2007 the former was discussed by the Executive Board, while the latter was presented to an informal seminar for Board Directors. Management is reporting back to the Board at this session with both documents, which represent important framing elements of IFAD's MfDR agenda.
35. **Human resource management and alignment.** In early 2007, when Management reviewed the progress achieved under the Action Plan, human resource issues were recognized as lagging behind, relative to the progress being made in other areas of the Action Plan. A new subgroup was established, and a strategic agenda was developed for strengthened management of human resources and their alignment with corporate priorities. This provided the basis for the definition, during the second quarter of 2007, of an ambitious new set of deliverables.

⁷ The partner/client survey will also contribute to IFAD's commitment to mutual accountability, as an indicator of progress under the Paris aid effectiveness agenda.

⁸ At the request of the Executive Board, the report will break down the indicator that measures programme impact into its constituent elements (increasing incomes, improving food security and empowering rural poor people), and it will review the indicator for IFAD's contribution to aid effectiveness in the light of the information provided.

36. The agenda has since been developed into a strategic HR framework for IFAD, which focuses on six objectives: strengthening HR management; building the capacity of the HR function; supporting and strengthening IFAD's core values; building and managing a high-performing workforce; aligning HR measurement and incentives with institutional priorities; and managing efficiencies. The HR subgroup has been subsumed into the line responsibilities of the Office of Human Resources (although a separate subgroup is still working on issues of organizational culture change – paragraph 38). An HR Strategic Management Committee, chaired by the President, will provide an apex corporate management framework for achieving alignment of HR with the development and organizational effectiveness objectives. It met for the first time in September, and will continue to meet on at least a quarterly basis.
37. Work has already begun in the areas of strengthening HR management, building and managing a high-performing workforce, and strengthening the capacity of the HR function itself. A new HR director is being recruited; in the meantime, an interim director has been taken on. Drawing upon experiences of similar exercises in comparable institutions, he is assisting in identifying gaps, weaknesses, areas of skills that need strengthening and the policies and practices to be either developed or revised in order to better support HR objectives. Specific achievements thus far include: conducting an induction course for new staff; skills strengthening for mid-level managers; and professional assessment of managerial competency levels through an enhanced performance review process (including web-based competency assessments and '360-degree' performance reviews). Reflecting Senior Management commitment to what is a best practice approach, all IFAD managers (senior as well as middle-level) are undergoing this professional assessment of their competencies. Finally, the tripling of the training budget for all staff in 2008 is a further indication of commitment towards the HR agenda.
38. **Organizational culture.** A key factor in organizational change is an enabling organizational culture. Management has taken steps to define a culture that facilitates achievement of IFAD's strategic objectives. As a starting point, through a participatory process involving staff at all levels, four core values and corresponding behaviours were identified: focus on results, integrity, professionalism and respect. These values are the principles and standards by which Management and staff are now expected to live in every aspect of their work and, as such, they are the foundation for all decision-making and an element of the accountability framework for managers and staff. Following the formal launching of the IFAD core values in September, the subgroup on culture change has been working closely with IFAD staff to: review existing HR and business processes and procedures to ensure their consistency with core values; develop specific training programmes to ensure a correct understanding of their meaning and application; and identify a monitoring and incentive system (360-degree performance reviews will include specific questions on the application of values by managers).

Country-level engagement

39. **Results-based country strategic opportunities programmes.** A revised framework for results-based COSOPs was approved by the Executive Board in September 2006 (document EB 2006/88/R.4). Guidelines for developing results-based COSOPs have been prepared and distributed, and staff have been trained in their application. The results-based COSOP defines a coherent country programme, jointly owned by IFAD and the member country. It aims to achieve a limited number of objectives derived from the Strategic Framework, while being consistent with, and supportive of, the national policy framework for rural poverty reduction. It includes a country-level results measurement framework, with monitorable indicators, and requires regular reporting on the progress achieved. Including those approved during the September 2007 session of the Executive Board, 10 have been prepared to date.

40. Early assessments suggest that the new results-based COSOPs are of a better quality than the previously designed COSOPs. They have: added momentum to enhancement of the performance and impact of the ongoing project portfolio, as well as to identification of new investment opportunities; promoted a country programme approach in which all projects, partnerships and policy dialogue work together to create synergies; promoted alignment with country priorities and IFAD's strategic objectives; and, through the formalized process for their development, promoted national ownership of the strategy.

Strengthening project quality at entry

41. In order to meet the objective of strengthened quality-at-entry of the projects IFAD supports, efforts have focused on improving both the project design process itself and the processes for enhancing and assessing the quality of the design. Newly developed guidelines for project design, on the one hand, and the new quality enhancement process and quality assurance (QA) system on the other, contribute to this strengthening of quality-at-entry.
42. **Guidelines for project design.** New guidelines have been developed and are expected to be issued in early 2008. These will: enable IFAD to respond effectively to its commitments under the *Paris Declaration on Aid Effectiveness*; ensure that the projects IFAD supports are aligned with its strategic priorities and development objectives; and, above all, provide a cost-effective way of enhancing project quality-at-entry.
43. The guidelines focus on both the process for developing projects and the expected content of the relevant documents. They aim to ensure: collaborative activity and joint responsibility between the member country and IFAD; harmonization with the activities of other donors and alignment with the development policies and procedures of the national government; and, above all, national ownership of the project design. In terms of content, they focus on clear and explicit quality standards, called key success factors (KSFs), which provide guidance to project design.⁹ They are complemented by a series of learning notes, or briefings on key thematic areas, which have been developed to guide IFAD staff and consultants involved in project development. To date, 17 such learning notes have been prepared and will continue to be updated.
44. **Quality enhancement.** This Action Plan deliverable involved elaborating a strengthened internal review process for quality enhancement in project design. The most important new features include:
- The six KSF domains, which provide the principle of 'clear and explicit quality standards' and are the basis for guiding in-country work, peer advice, management review, and decisions to enhance and assure the quality of projects;
 - The maturity assessment template, which is a self-assessment tool centred on the six KSF domains and the respective guidance questions. The maturity assessment template is to be completed by a country programme manager (CPM) as a prerequisite for project submission to the Technical Review Committee (TRC); and
 - A new TRC, involving external experts to complement the knowledge available within IFAD with that of partner institutions (e.g. the Food and Agriculture Organization of the United Nations (FAO), the International Food Policy Research Institute and the World Bank) and bilateral and freelance experts.

⁹ Six KSF domains have been identified. These cover: (i) country relevance, commitment and partnership; (ii) poverty, social development and targeting; (iii) alignment of design features with IFAD strategic objectives, rural development policy, analysis, lessons learned and the results framework; (iv) implementation arrangements and institutional aspects; (v) risks and sustainability; and (vi) innovation, learning and knowledge management.

45. These new features aim both to generate a more focused discussion of critical design and country context issues during TRC meetings, and to provide value-adding advice and concrete suggestions for improvement through the subsequent design stages. The TRC provides its advice earlier in the project cycle than was formerly the case, making it possible for CPMs and country programme teams to make better use of this advice. The QA system (described below) will provide an ex-post control mechanism to ensure that the advice and suggestions for improvement have indeed been taken on board.
46. The new quality enhancement process was pilot tested on 21 new project designs over the period March-September 2007. The first of these projects is being presented at this session of the Executive Board.
47. **Quality assurance.** A QA system for project review has been developed, consistent with a commitment made by Management in response to the IEE. The QA system draws upon similar systems in comparable organizations, yet it also builds on their experience. Most importantly, it will review projects **before** Executive Board presentation rather than afterwards: it will thus be the last internal check of the likely quality and readiness of a project before IFAD negotiates the project with the government and prior to its presentation to the Executive Board. If and when necessary, it will turn back projects that do not meet its quality standards and, in doing so, it will make an important and proactive contribution to improving project quality-at-entry.
48. Responsibility for the QA system will be located in the Office of the Vice President, where it will operate at arms length from the Programme Management Department, which is responsible for project development. Quality assessments will be done for groups of projects about three times a year, roughly 6-8 weeks before Executive Board sessions. Each review will include about 10-15 projects and is expected to be completed over a two-week period. Assessments will be based upon the six KSF domains, and final scores will be given for the project against each KSF. It is expected that the majority of projects will be approved without qualification, while a minority will either be approved subject to suggestions of specific actions to be taken during implementation to address design shortcomings, or will be sent back for further preparation.
49. The QA system was approved by Management in September 2007. It was given a preliminary testing in October, and is expected to be piloted in February 2008, on the projects scheduled for submission to the April 2008 session of the Executive Board. Although later than originally proposed, Management wanted to develop the QA system only after the quality enhancement process was fully operational.
50. **Project approval format.** A new format for the report and recommendation of the President (RRP) was developed in early 2006 and approved by the Executive Board at its September 2006 session (document EB 2006/88/R.5). The new format is shorter (reduced from 13 to 5 pages) and focuses strictly on the key organizational and reputational issues associated with the proposed project. At the same time, however, Executive Board Directors have confidential electronic access to the main appraisal report and key files of the project document, enabling them to assess the operational and organizational aspects of the proposals in greater depth than before. As of September 2007, the Executive Board had approved 26 new-format RRP.
51. **Supervision policy.** Supervising the projects it supports is a necessity for IFAD, both to improve project implementation performance and development impact, and to enhance its own capacity to systematically learn from the field. In February 2006, as a first step in giving IFAD this responsibility, which was formerly contracted out to cooperating institutions, the Governing Council approved an amendment to the *Agreement Establishing IFAD* and to the *Lending Policies and Criteria*. In December 2006, the Executive Board approved a policy on supervision and implementation

support (document EB 2006/89/R.4/Rev.1), and in October 2007 operational guidelines were issued to all involved staff. A major training programme started in September 2007 and, by the end of the year, 100 or so staff are expected to have been trained. New staff – portfolio advisors and additional CPMs – will also contribute to ensuring that the policy is effectively implemented. As of September 2007, the Executive Board had approved direct supervision by IFAD Management of 65 projects.

52. The guidelines focus both on the fiduciary aspects of project supervision (particularly loan administration), and on the impact-oriented functions of implementation support. They ensure that particular attention is given to: (i) issues that IFAD has identified as being of importance – such as targeting and gender, innovation and knowledge management; (ii) ensuring compliance with IFAD policies; and (iii) establishing effective monitoring and evaluation systems, both to guide project management and to assess project impact. The guidelines define new requirements for supervision reporting, which will provide data that will feed into IFAD's divisional and corporate development reporting systems.
53. **Country presence.** The December 2005 Action Plan document listed the evaluation of IFAD's Field Presence Pilot Programme as one of its deliverables, although this evaluation was subsequently undertaken by the independent Office of Evaluation. Presented to the Evaluation Committee of the Executive Board in September 2007, the evaluation concluded that country presence was critical if IFAD was to enhance its development effectiveness. It found that IFAD's performance in those countries in which it had some form of field presence – either a nationally-recruited official or, in two cases, an outposted CPM – was better in all four assessed dimensions: implementation support, in-country partnerships (including engagement in the aid effectiveness agenda), engagement in policy dialogue, and knowledge management.
54. Also in September 2007, the Executive Board requested Management to present a concrete activity plan for country presence in December 2007. This plan, which is being presented for information, includes: (i) continued implementation of the 15 existing country presence initiatives by integrating their financing into IFAD's normal budgetary process; (ii) outposting of CPMs to the United Republic of Tanzania and Viet Nam, both within the 15 countries (in addition to the CPMs already outposted to Colombia and Panama); and (iii) deferring any experimentation with subregional offices.

Knowledge management and innovation

55. **IFAD Strategy for Knowledge Management.** Innovation, learning and scaling up constitute a principle of engagement in the Strategic Framework. IFAD's knowledge management strategy speaks to this agenda. The strategy was developed during the latter part of 2006 and early 2007, and was approved by the Executive Board in April 2007 (document EB 2007/90/R.4). Its aim is to provide IFAD with the framework and tools for development effectiveness by increasing its learning from development practice and improving its systems and its institutional readiness for continuous learning and sharing. The strategy is rooted in the organization's core competencies, embedded in its work processes and linked closely to its main products.
56. The Vice-President, supported by a core group, has taken on overall responsibility for overseeing and guiding the implementation of the strategy. Implementation has proceeded well, with steps taken to: develop an implementation matrix defining expected results, objectives, indicators, means of verification, and roles and responsibilities; draft guidelines for mainstreaming knowledge management into the results-based COSOPs and supervision process; prepare a knowledge management toolkit; and draft knowledge management competencies to be included in human resource processes, including individual work plans. In a number of regional divisions, regional communication specialists are already contributing to the

knowledge management agenda. Outstanding priorities are to operationalize the implementation matrix, launch a communication plan and begin staff training.

57. **IFAD Innovation Strategy.** Responding to the Strategic Framework and building on the closely linked knowledge management strategy, the innovation strategy was developed during the first part of 2007 and approved by the Executive Board in September 2007 (document EB 2007/91/R.3/Rev.1). The strategy responds to the IEE's concern that, while there were excellent examples of IFAD innovation, this did not have a sufficiently systematic approach. The goal of the strategy is to ensure that innovation is systematically and effectively mainstreamed in existing structures and processes, and thus in country programmes and IFAD-supported projects. A series of activities will support innovation through the project and programme cycle, as well as in other IFAD initiatives, and all involve prototyping and testing. Implementation will involve the whole organization. A small, dedicated team – an Innovation Services Group – will act as a broker to help country programme teams access innovation services. The strategy will be financed principally through existing funding sources, supplemented by the Initiative for Mainstreaming Innovation.¹⁰
58. Innovation is, in fact, already being mainstreamed in IFAD's core business processes. The new guidelines for project design require a focus on innovation. It is included in one of the six KSF domains that underpin both the quality enhancement process and the QA system. The supervision guidelines require that the focus on innovation be maintained through the project implementation phase, and staff will regularly assess and report on it. Innovation is the subject of one of the six indicators in the Results Measurement Framework. Thus it will be possible to assess how well IFAD is doing on innovation in project design, during implementation and at completion.
59. **Rural Poverty Portal** (www.ruralpovertyportal.org). The Rural Poverty Portal is a web-based tool for learning and sharing knowledge on rural poverty reduction. It provides a website where rural poor people, policymakers, donors, research institutes, NGOs and other development partners can share information. While the portal is still in the early stages of its three-year development phase, achievements include the posting of some 70 country pages, 40 stories, 12 learning and adapting stories and 11 topic pages; the installation and testing of the hardware that will be hosting the site; and the creation of web applications to create links with IFAD databases and external data sources. The portal is expected to be operational by the end of 2007. This means that not only will the majority of the content be made available, but also the infrastructure will have been established. The content management system will have been customized, content from IFAD data sources will have been made available, its principal functions and features will be operational; and templates and training will have been provided to country and project staff.

VI. Expenditure to date

60. A summary of costs for the Action Plan for the period 2006-2007, submitted to the Executive Board in December 2005, presented an overall figure of US\$9.5 million. A total of US\$3.93 million has been spent to date (US\$1.34 million in 2006 and US\$2.59 million in 2007 as of 16 October), and further use of funds is expected by the end of 2007. An update on expenditures under the Action Plan is being presented to the Board at this session (see annex II). Some of the major areas of expenditure to date have included: design and piloting of the quality enhancement process; work on the supervision guidelines and detailed procedures and supervision training; development of the Rural Poverty Portal; and development of the innovation strategy.

¹⁰ Financed through a complementary contribution by the United Kingdom of Great Britain and Northern Ireland to the Consultation on the Sixth Replenishment of IFAD's Resources.

61. In parallel with funding provided by IFAD, funding has also been made available through bilateral contributions. The Institutional Strengthening Project (ISP), funded by the Department for International Development (DFID) of the United Kingdom of Great Britain and Northern Ireland, has made available a total of UK£1.07 million (approximately US\$2.0 million) to support the work of the Action Plan. DFID support aims specifically at strengthening IFAD's efforts in four areas of the Action Plan: enhancing its HR management; adopting MfDR tools and approaches; enhancing its engagement at the country level, particularly as a partner in country-owned poverty reduction strategy processes; and developing a policy on knowledge management.

VII. Future challenges and opportunities

62. Progress under the Action Plan has remained on track. Most of the Action Plan outputs have already been delivered or will be shortly. Those outstanding are the QA system, due to be piloted in February 2008, and the majority of the new deliverables for HR management and alignment defined by IFAD Management in 2007. As the deliverables have been approved, responsibility for implementing them has moved from dedicated, but temporary, working groups to permanent line units and structures, and into IFAD's day-to-day business. The involvement of large numbers of staff from across the organization in the work of the Action Plan is facilitating this transfer of responsibilities.
63. Collectively, the deliverables are already starting to transform the way IFAD works. They are contributing to making IFAD an organization that is focused on its strategic objectives; has systems and tools aligned with its objectives – and which are coherent and mutually supportive; and is able to report on its progress in achieving those objectives. Thus the Strategic Framework defines IFAD's objectives; all of its country- and project-level processes, all of its policies and strategies, and increasingly, its budget and its human resources and organizational culture are squarely focused on achieving those strategic objectives; and the Results Measurement Framework and the report on IFAD's development effectiveness allow the organization to measure and report on its success in achieving them. There is little doubt that the Action Plan has played a large part in improving IFAD's organizational effectiveness, and that this will have a gradual but real positive impact on IFAD's development effectiveness.
64. Despite the very real success to date, risks remain. Experience from other organizations shows clearly that many reform processes start well and ultimately fail. The factors that bring down such efforts typically include: organizational structures that constrain new ways of doing business – for example, cross-departmental work; systems that are obsolete, constraining, time-consuming or generally unsupportive of the new agenda; a skills gap, with staff skills that are not in all cases consistent with what is needed to implement the new ways of working; and managers who fail to support the new vision or violate organizational values.
65. The challenge for IFAD is to ensure sustainability of the reform efforts by limiting the possibility of backsliding. The specific tasks include: continuing to manage the smooth transition from dedicated structures to line functions and day-to-day business processes and operations; reviewing business systems and processes, modifying them when appropriate, and supporting them through the necessary investments in information technology systems; further pursuing the difficult, but critical work of improving the management of human resources and the alignment of both human and financial resources with strategic priorities; and communicating with all staff regarding the real changes being effected and what the implementation of Action Plan deliverables means for the organization. All are tasks to which attention is being given by the Senior Management Team, by the Action Plan Management Team and secretariat, and by the line-function work being conducted in HR management and in results-based planning and budgeting.

66. The other main challenge relates to the relationship between organizational and development effectiveness. The Action Plan is built on the premise that improvements in IFAD's organizational effectiveness will lead directly to its increased development effectiveness and enhanced contribution to rural poverty reduction. The former is largely within the control of IFAD, immediate, and – as we have seen – an agenda to which the Action Plan has already made a real contribution. However, the latter is influenced by IFAD only indirectly, and is certainly slower. The challenge is to ensure that the improvements in organizational effectiveness are converted rapidly into improved development effectiveness. It requires effective use of the new instruments, tools and processes developed, and regular and proactive assessment of the progress achieved – using the Results Measurement Framework and the annual Portfolio Performance Report as the principal monitoring tools.
67. While major challenges remain, there are also new opportunities for IFAD. One of the most important is to share the lessons it has learned and the knowledge it has gained in implementing the Action Plan with other, similar organizations. FAO is currently planning its response to its own independent external evaluation, and discussions between FAO and the Action Plan secretariat have been initiated, with a view to exploring opportunities for the two organizations to share their experiences. There has also been collaboration with the African Development Bank, with which opportunities are being explored to organize a joint learning event on organizational reform issues. Another potential partner in this area is the World Food Programme, which is also undergoing structural change.
68. With most of the deliverables completed or almost completed, Management is currently reviewing the need for and future status of the Action Plan Management Team and the Action Plan secretariat. While the current expectation is that these will gradually be phased out, they are likely to be maintained during at least part of 2008 in order to maintain an organizational focus on the sustainability of the reforms. Although this is the last formal progress report on the Action Plan, Management will continue to report to the Executive Board on its activities for enhancing organizational and development effectiveness, either under the auspices of the Action Plan or through future editions of the report on development effectiveness.

Principal deliverables of the Action Plan^a

<i>Deliverable</i>	<i>Planned delivery</i>	<i>Current status</i>
IFAD Strategic Framework 2007-2010	December 2006	Delivered, December 2006
IFAD Policy on Targeting ^b	December 2006	Delivered, September 2006
Medium-term plan	April 2007	Cancelled
Results Measurement Framework ^b	September 2007	Delivered, September 2007
Strategic priorities for a results-based programme of work, Programme Development Financing Facility and budget of IFAD and its Office of Evaluation for 2008	September 2007	Delivered, September 2007
Results-based programme of work, Programme Development Financing Facility and budget of IFAD and of its Office of Evaluation for 2008	December 2007	On track
Report on IFAD's development effectiveness	December 2007	On track
Revised framework for results-based COSOPs	September 2006	Delivered, September 2006
Revised project approval format	September 2006	Delivered, September 2006
IFAD Policy on Supervision and Implementation Support	December 2006	Delivered, December 2006
Loans and grants presented in revised format to the Executive Board	December 2006	Delivered, December 2006
Evaluation of Field Presence Pilot Programme	September 2007	Delivered, September 2007
Activity plan for country presence ^b	December 2007	On track
IFAD Strategy for Knowledge Management	December 2006	Delivered, April 2007
IFAD Innovation Strategy	September 2007	Delivered, September 2007

^a Includes all deliverables to be presented to the Executive Board, as defined in the Action Plan document of December 2005, unless stated otherwise.

^b Deliverable defined subsequent to the Action Plan document of December 2005.

Expenditure to date

Tables 1 and 2 contain details on the use of Action Plan resources, while tables 3 and 4 show expenditures under the Institutional Strengthening Project, funded by the United Kingdom's Department for International Development (DFID).

I. Expenditure to date – Use of Action Plan resources

Table 1
2006-2007 Action Plan budget summary
Expressed in United States dollars – as at 29 November 2007

Total Action Plan budget	9 500 000
of which total allocated	7 935 244
Less:	
2006 actual expenditure	1 332 000
2007 committed/spent as at 29 November 2007	2 698 467
Staff costs and staff compensation	1 465 836
Balance	2 438 941
Unallocated funds	1 564 756
Total Action Plan funds remaining^a	4 003 697

^aThese funds are earmarked for the completion of Action Plan activities in 2008.

Table 2
2007 Action Plan Budget – detailed
Expressed in United States dollars – as at 29 November 2007

	<i>Allocation</i>	<i>Committed/spent</i>	<i>Balance</i>
Working Group 1 – Organizational change and human resources management			
Human resources alignment and management	1 010 632	489 000	521 632
Results measurement framework	432 267	105 611	326 656
Managing and budgeting for results	230 099	99 702	130 397
Culture change	140 023	72 309	67 714
Subtotal	1 813 021	766 622	1 046 399
Working Group 2 – Country-level engagement			
Quality enhancement and quality assurance	209 999	146 759	63 240
Operationalization of country-level deliverables	1 677 332	1 075 431	601 901
United Nations reform/aid effectiveness	30 000	-	30 000
Subtotal	1 917 331	1 222 190	695 141
Working Group 3 – Knowledge management and innovation			
Knowledge management	752 596	391 870	360 726
Innovation	70 000	68 219	1 781
Subtotal	822 596	460 089	362 507
Other			
Secretariat	355 000	112 672	242 328
Publication of Action Plan deliverables	229 460	136 894	92 566
Subtotal	584 460	249 566	334 894
Total	5 137 408	2 698 467	2 438 941

II. Expenditure to date – Institutional Strengthening Project funded by the Department for International Development

Table 3

Total Institutional Strengthening Project Resources

Expressed in pounds sterling and United States dollars – as at 29 November 2007

	GBP	US\$ equivalent ^a
Total grant budget	1 070 000	2 124 992
Total received	542 500	1 029 191
Less:		
Management fee (5 per cent)		51 460
Total spent/committed as at 29 November 2007		613 591
Total remaining balance		364 140
Instalments to be received from DFID by March 2008	527 500	1 095 801

^a For instalments already received, the United States dollar equivalent is based on the exchange rate prevailing at the date of receipt. For instalments to be received, the United States dollar equivalent is based on the GBP:US\$ exchange rate of 1:2.07735 as at 31 October 2007.

Table 4

2006-2007 Institutional Strengthening Project Budget – detailed

Expressed in United States dollars – commitments as at 29 November 2007

	Allocation	Committed/spent	Balance
Working Group 1 – Organizational change and human resources management			
Human resources alignment and management	503 658	306 690	196 968
Results measurement framework	66 500	58 563	7 937
Subtotal	570 158	365 253	204 905
Working Group 2 – Country-level engagement			
Operationalization of country-level deliverables	347 073	228 506	118 567
Subtotal	347 073	228 506	118 567
Working Group 3 – Knowledge management and innovation			
Country programme learning pilots	60 500	19 832	40 668
Subtotal	60 500	19 832	40 668
Total	977 731^a	613 591	364 140

^a Total allocation after deduction of 5 per cent management fee from US\$1,029.19.