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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Governing Council – Twenty Fifth Anniversary Session
Rome, 19-20 February 2003

PROGRESS REPORT

ON THE

PROCESS RE-ENGINEERING PROGRAMME (STRATEGIC CHANGE PROGRAMME)

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ABBREVIATIONS AND ACRONYMS

ASE	Accelerated Solutions Environment
BBP	Business Blueprint
BPO	Business Process Owner
CGEY	Cap Gemini Ernst & Young
IT	Information Technology
MIS	Management Information System
PCC	Project Coordinating Committee
PMU	Programme Management Unit
PRP	Process Re-Engineering Programme
SCP	Strategic Change Programme

I. INTRODUCTION

1. In adopting Resolution 116/XXIII at its Twenty-Third Session in February 2000, the Governing Council approved a capital budget of USD 26.0 million for a process re-engineering programme (PRP) for financial years 2000 to 2005. The President was authorized to appropriate the first tranche in the amount of USD 1.3 million (5% of the overall budget) for detailed programme design. Subsequent tranches were to be appropriated upon presentation of the President's report to the Executive Board on the use of the previous tranche and the Board's approval of a plan for the use of the next tranche.

2. The President was requested to report on progress with the PRP at annual sessions of the Governing Council and to provide a final report at the Session to be held in February 2006. In order to reinforce its role in supporting the strategic change process in IFAD, PRP has been renamed as Strategic Change Programme (SCP).

3. This progress report covers the period of 1 February 2002-15 December 2002.

II. PROGRESS IN IMPLEMENTING THE STRATEGIC CHANGE PROGRAMME IN 2002

A. Procurement Process and Contract Negotiations

4. In early February 2002, the three shortlisted companies presented proposals for implementing the Strategic Change Programme (SCP) to IFAD senior management and staff. Subsequently each company interviewed key managers and staff in order to gather more information regarding IFAD's requirements for the SCP. All three companies provided the Fund with their final technical and financial proposals on 26 February 2002.

5. In accordance with IFAD's internal procedures, an evaluation panel, composed of eight staff members, analysed the documentation and ranked each company using established criteria. The panel's objective was to identify the company best able, within certain financial limits, to provide IFAD with an appropriate approach to the SCP, sound methodology and technical capabilities, and a well-prepared team that fit the Fund's cultural environment.

6. On 4 April 2002, the evaluation panel presented its recommendations to the Procurement Advisory Committee (PAC). The PAC agreed with the ranking of the three shortlisted companies and authorized the Programme Management Unit (PMU) to start negotiations.

7. Negotiations commenced on 15 April 2002 between IFAD and the first-ranking company, Cap Gemini Ernst & Young (CGEY). A time plan was elaborated and the key issues were identified. During these negotiations, IFAD obtained expert advice on technical and contractual issues. A contract was stipulated between IFAD and CGEY on 31 May 2002.

8. The contract sets out an agreed set of SCP outputs ('deliverables') to be provided by CGEY at a fixed price. The expected duration of implementation is 18 months with an additional guarantee period of 90 days.

9. Key aspects of the contract are:

- methodology for acceptance of 'deliverables';
- methodology for agreeing on any changes in the scope of the SCP;
- escalation and dispute resolution;

- limitation of liability; and
- termination clause.

10. The contract includes a payment plan. As a general principle, IFAD agreed that its acceptance of a programme deliverable would trigger a payment. The Fund paid CGEY a 10% advance and is expected to make seven payments for deliverables. A final payment, equivalent to 10% of the total contract, will be paid after satisfactory completion of the guarantee period of 90 days.

B. SCP Programme Plan

11. CGEY consultants started working on 3 June 2002. A programme plan was elaborated to define key activities and milestones to produce the deliverables, as defined in the contract. The SCP will be implemented in five phases: (i) business blueprint (BBP) phase; (ii) realization phase; (iii) final preparation phase; (iv) go-live and support phase; and (v) guarantee period. The expected duration of implementation is from June 2002 to February 2004 for a total of 20 months. Appendix II presents the overall implementation plan and a detailed plan of the BBP. The main features of these phases are indicated below.

12. **Business blueprint phase** (3 June - 15 November 2002). The BBP phase identifies in detail the business requirements. Various IFAD processes are structured and defined, and mapped on to the PeopleSoft modules. As a result of this, the fit-gap analysis is created, which reflects how PeopleSoft will need to be customized.

13. **Realization phase** (16 November 2002 - 15 September 2003). In the realization phase, the PeopleSoft software is configured and modified; the interfaces are built; and data from existing systems are converted.

14. **Final preparation phase** (15 March – 30 September 2003). During this phase, the main focus is on final preparations for data migration, training and the cut-over plan before the application 'goes live'.

15. **Go-live and support phase** (1 April - 31 October 2003). There will be three go-live moments: in April, July and October 2003. This phased approach will allow IFAD to adapt to the new systems and progressively deploy the whole systems to users. The objectives of the go-live moments and support phase are to make the system operational, verify its accuracy and specify the measures on which the SCP will monitor and establish its benefits.

16. **Guarantee period** (1 November 2003-31 January 2004). The final implementation stage is constituted by a period of 90 days during which CGEY will resolve any problems that occur in operating the new systems. At the conclusion of this period, IFAD will provide a final acceptance certificate and make a final payment to CGEY.

C. SCP Organizational Framework

17. In June 2002, the PMU elaborated the SCP Charter. The purpose of this document is to create an SCP organizational structure and provide guidance for all involved in the implementation. As shown in Appendix II, the SCP has four decision-making levels: (i) the programme sponsor and steering committee; (ii) the PMU; (iii) the project coordinating committee (PCC); and (iv) the business process owners (BPOs) and project and resource teams. The following is a short description of their roles and responsibilities.

18. **Programme sponsor.** The President of IFAD is the sponsor of the SCP. The programme sponsor represents IFAD senior management's commitment to the SCP, motivating support

throughout IFAD and facilitating the organizational changes necessary for the success of the programme. The programme sponsor decides on strategic and crucial issues raised by the steering committee and provides overall leadership through communications to internal and external partners on major SCP aspects.

19. **Steering committee.** The steering committee is made up of the Vice-President, the three Assistant Presidents and the PMU. The Executive Committee Staff Association participates when staff issues are discussed, and the business process owners participate when required. The vice-president chairs the committee.

20. The steering committee's key responsibilities are to set SCP's direction and priorities, focusing on vision, strategy, change and risk management. It approves the SCP workplan and budget, establishes policies, conducts reviews, has 'sign-off' responsibility for major deliverables, and resolves issues as required. Steering committee meetings are held monthly, and ad hoc meetings when needed. In addition, quarterly meetings will be held to review the progress made by the SCP.

21. **Programme management unit.** The PMU consists of the IFAD programme manager and business and systems integration programme manager, and of the CGEY programme manager and lead consultant integrator.

22. The PMU facilitates the implementation of the SCP and its alignment with the IFAD's Strategic Framework 2002-2006 and the annual programme of work and budget. It implements the decisions of the programme sponsor and the steering committee in accordance with the contract between IFAD and CGEY and the SCP Charter.

23. The PMU is accountable for SCP deliverables in terms of timeliness and quality. It has the authority to resolve issues and define and escalate disputes and risks, which can potentially impact the quality of deliverables in the programme scope.

24. The PMU manages the relationship with the implementation partner and other external resources that support the SCP. Its main functions are planning, progress tracking, benefits realization, risk management, systems integration, change management, establishment of individual project teams, and process alignment and integration. The PMU reports to the Chairman of the Steering Committee. PMU meetings are held weekly, and ad hoc meetings when required

25. **Project coordination committee (PCC).** The PMU, the three BPOs – the Human Resources Division, Finance and administration and the management information system (MIS), the project leaders of each project and the PeopleSoft lead consultant constitute the PCC. The main responsibilities of the PCC are to: address and resolve expeditiously integration and process issues; monitor deadlines, deliverables and resource use; provide guidance as needed to project teams; and actively promote change behaviours.

26. Issues that the PCC cannot resolve are referred to the steering committee by the PMU. PCC meetings are held monthly, or more often if required.

27. **Business process owners and project and resource teams.** Staff involvement in the implementation phase of the SCP is critical to the success of the programme. Staff members constitute the project teams established in June 2002 in the areas of finance and human resources. The main responsibilities of the project teams are to: develop the detailed design, based on the conceptual design provided at the end of the SCP design phase; implement the design on PeopleSoft modules; and assume ownership of the solutions adopted.

28. In addition to the project teams, the SCP involves a larger group of staff members, called resource teams, who are end-users of the services provided by finance and human resources. Their main responsibilities are to provide input for the detailed design and to test the proposals made by project teams. All processes worked on from June to October 2002 were presented to these teams in the first week of November 2002 to obtain their feedback on the proposed changes and the critical elements underpinning the new processes.

III. PROGRESS AND RESULTS OF THE BUSINESS BLUEPRINT (BBP) PHASE

A. Accelerated Solution Environment

29. According to the programme plan, the BBP phase was concluded by the middle of November 2002 following which IFAD will receive deliverables from CGEY. The Fund will need to validate and accept these deliverables as per procedures defined in the contract (see Appendix III for status of deliverables as of 15 December 2002). The main focus of this phase is the detailed design of processes and requirements for the new information system in three areas: financial management; MIS; and human resource management.

30. From 8 to 10 July 2002 a group of senior and middle managers and staff members participated in a three-day event in Milan, called the accelerated solutions environment (ASE). This is a way to accelerate solutions to complex problems and decision-making processes. ASE objectives were to:

- establish common ground rules for simplifying certain key business processes;
- challenge and validate the future state of several key areas of the business processes and find solutions to issues connected to those key areas; and
- identify and address key change issues, anticipating in particular their consequences on the organization and the people involved.

31. The ASE resulted in the development of high-level proposals related to payroll, the loans and grant system, budget and travel. These proposals provided a starting point for the further development of the detailed process design. Consensus was reached on several key guiding principles and on the expectations of a large group of IFAD stakeholders.

32. Staff present at the event stated that they were now more convinced than before that the SCP would result in benefits for the organization and that it was important that this opportunity for change be successful. They expressed concern, however, about the redeployment of staff from work areas where efficiency is to be obtained. It was agreed that a redeployment policy would be elaborated and submitted to the steering committee for approval by early 2003.

B. High-level Processes: Finance, Human Resources and the Management Information System (MIS)

33. At the beginning of June 2002, for each of the areas focused on in the BBP (finance, human resources and the MIS) the BPOs and the CGEY lead consultant formed project teams consisting of staff presently involved in these processes. From June to October 2002, managers and staff attended a series of workshops. These provided the CGEY team with the necessary knowledge regarding the existing ways of working at IFAD and helped to identify the changes needed to make these processes more efficient and effective.

34. Each project team's work was guided by the following general principles, which had been defined and agreed upon at the ASE and confirmed by senior management:

- from many layers of ex ante control to ex post control with spot checks and audit controls;
- from multiple approvals and shared accountability to single approval points with accountability;
- from filling out paper forms to human resources self-service;
- from multiple and duplicate data entry to data entered once at originating source;
- from many receipts for travel claims to lump sum; and
- from manual repetitive tasks to value-added activities.

35. It was also agreed that to optimize the efficiency gains of the SCP it would be necessary to:

- simplify processes and procedures used in IFAD as much as possible; and
- customize the commercial software as little as possible to minimize future upgrading costs.

Financial Management

36. The project teams were set up around the key processes of (i) accounting; (ii) loans and grants; (iii) procure to pay; (iv) travel and expenses, (v) cash management; (vi) contributions; and (vii) budget and payroll. Work in these areas has progressed according to plan. The Steering Committee validated all processes with the exception of those for Payroll and Loans and Grants System (LGS). Since certain elements of these processes were not satisfactorily elaborated they were not validated by the Steering Committee. Revised versions of the two processes will be presented to the Steering Committee in January 2003 for review and approval.

37. Based on the work of the project teams, the following changes are anticipated: changes in roles and responsibilities; increased integration and sharing of information; more qualitative controls; gains in process efficiency (due to reduction of manual, repetitive administrative work); and value-added services.

38. The implementation of the PeopleSoft modules for financial management processes will improve financial management and evaluation of achievement, streamline processing of transactions, and delegate budget management through a structure of cost centres supported by a new ex post control framework. Overall, it is expected that information will be provided more efficiently, thus enabling better analysis and the introduction of prompt corrective measures on the programme of work and administrative budget.

Human Resource Management

39. The project teams were set up around the key processes of: (i) workforce administration; (ii) recruitment; (iii) organizational and personnel development; and (iv) payroll. Work in these areas has progressed according to plan. All process deliverables were validated and accepted by the Steering Committee

40. As a result of the project team's work, a major change has been introduced, and that is the concept of self-service: staff will input their own personal data. Another area of change is the processing of some staff entitlements by using lump sum payments.

41. The PeopleSoft modules will contribute to streamlining the processes and empowering end-users. It will also allow IFAD to improve the processing of monthly payments thanks to a more integrated payroll system. The Human Resources Division will be able to free time currently dedicated to manual and repetitive administrative tasks and improve its capacity to plan needed services and support managers and staff.

Management Information Systems (MIS)

42. MIS work is different from that in the other two areas. Initially CGEY worked to define the information technology (IT) architecture required to support the implementation of PeopleSoft. CGEY then made recommendations on IFAD's IT strategy and the implementation of some elements of the IT architecture. As of the present time, the IT architecture has been built and the Peoplesoft software installed and are both being used for the realization phase. The architecture necessary for the first go-live is expected to be completed before March 2003.

43. As of July, work started on assessing the existing IT process and IT organization at IFAD, and to identify changes that would allow the MIS Division to support and respond to future IT challenges. The proposals for IT processes and organization were not accepted by the Steering Committee in November 2002, mainly because they were not achieving the desired user empowerment and service orientation of MIS towards core businesses. The Steering Committee therefore requested that a new proposal be prepared for its review and approval by February 2003.

44. The above results will enable IFAD to implement an IT architecture aiming at maximum integration and standardization. MIS Division needs to focus on empowering users through training and operating IT facilities according to service-level agreements.

C. Change Management

45. The change management team's initial task was to support the organization of the ASE. They elaborated two deliverables, which were approved by the steering committee: (i) the communication strategy and plan; and (ii) a training plan. In addition, they supported the launch of the SCP Intranet site, which provides staff at large regular information on key decisions taken, upcoming events and specific information on key topics of the SCP. The SCP Intranet site is also used as a tool for feedback from staff on critical issues. At end October, some 70 staff members participated in a one-day course designed to provide them with an overview of PeopleSoft.

46. The application of the guiding principles on processes in the area of finance, human resources and MIS will have organizational implications in terms of roles and responsibilities, competencies, accountability, and management by delegation. In addition, cultural implications such as loss of power, trust and teamwork will need to be addressed.

47. To address these organizational and cultural implications, a Change Management Strategy (CMS) elaborated by CGEY focused on organizational alignment (policies and procedures and roles and responsibilities), training of staff, communication and risk management. The key activities were reflected in a Change Action Plan for the realization phase. In November 2002, the Steering Committee did not accept the proposed CMS as it lacked sufficient identification of concrete concerns and risks. As such, it did not provide a solid basis to properly monitor and mitigate risks that may cause resistance, disruption and delays during implementation. A new CMS has been elaborated and will be presented to the Steering Committee for review and approval in January 2003.

D. Management of Issues and Risks

48. To support the programme management and the involved entities to manage and control the programme properly, the PMU decided to use a tool called the project gateway. The main advantages of this tool are that all information needed to manage the programme is centralized and easily accessible through Internet by team members wherever they are.

49. An **issue resolution procedure** has been agreed upon by IFAD and CGEY. This procedure will provide a way to identify and manage issues that affect the work progress, track them, make progress towards their resolution and communicate to everyone concerned what the issues and resolutions are. The procedure, using the project gateway tool, is put in place to ensure the timely resolution of issues.

50. Issues between IFAD and CGEY that cannot be resolved by the programme managers of both teams are considered disputes, which will follow the **escalation and dispute procedure** documented in the contract IFAD has stipulated with CGEY. This procedure has a three-step escalation to attempt the resolution in an amicable way, after which the dispute will be subjected to expert decision or arbitration.

51. **Issues and risks of BBP.** Since the start of the BBP, some 20 issues have been raised between IFAD and CGEY. Some refer to the timely delivery of activities that are on a critical path of the Fund's programme plan. For example, CGEY raised the issue of procurement and installation of PeopleSoft modules in July; and IFAD addressed the issue on time allowing the timely procurement and installation of the modules.

52. The following issues will required proper attention and resolution in order to ensure the timely and successful implementation of the realization phase of the SCP:

- timely decision-making on deliverables provided by CGEY in accordance with the acceptance period defined in the contract;
- consistency with and commitment to decisions taken in BBP to prevent delays and increased costs due to reworking during realization;
- timely preparation of and decision-making on new rules and procedures that support the newly developed systems in PeopleSoft; and
- timely decision-making and acceptance of redeployment policy, to prevent resistance among stakeholders.

IV. OTHER SCP PROJECTS

53. Senior management requested the SCP to support the design of the strategic planning and budget process. This work was undertaken between February and April 2002. The SCP aligned the result of this new process with the work undertaken in the finance area. The lessons learned during the implementation of this new process for the elaboration of the programme of work 2003 will provide useful insights on improvements that may be addressed during the realization phase of the SCP. The SCP has also facilitated the elaboration of guidelines for the programme development financing facility (PDFF) and will support the full implementation of PDFF in 2003.

54. Progress has been made in the area of knowledge management through the elaboration of proposals to integrate work in this area around thematic groups of from four to six themes. Activities to be undertaken in 2003 should be aligned with IFAD's Strategic Framework to ensure that they add value to the strategic framework priority of increasing the Fund's field impact. To this end, it was decided that knowledge management should be part of the annual workplans of divisions and departments. It was also decided that the knowledge management facilitation unit was no longer required. As part of the approved investments, the SCP will start work in 2003 to replace the existing document management system.

V. FUTURE INVESTMENTS

55. The SCP progress report to the Executive Board in April 2002 (document EB 2002/75/R.11) indicated that proposals would be presented for investments in the areas of impact, partnerships and new product development. It is now envisaged that these will be aligned with the work agreed in the context of the Consultation on the Sixth Replenishment in the areas of field presence, performance-based resource allocation and the measurement of results and impact. A process will be defined that will allow the SCP to present proposals with related cost estimates to the Executive Board for its review and approval of the last tranche of the capital budget for a maximum amount of USD 9.2 million.

VI. FINANCIAL RESOURCES

Status of Expenditures and Commitments 2001-2002

56. In adopting Resolution 116/XXIII at its Twenty-Third Session in February 2000, the Governing Council approved a capital budget of USD 26.0 million for PRP and a first tranche of USD 1.3 million for the design phase (a maximum of 5% of the overall budget). At 31 December 2001, expenditure from the first tranche was approximately USD 1.0 million.

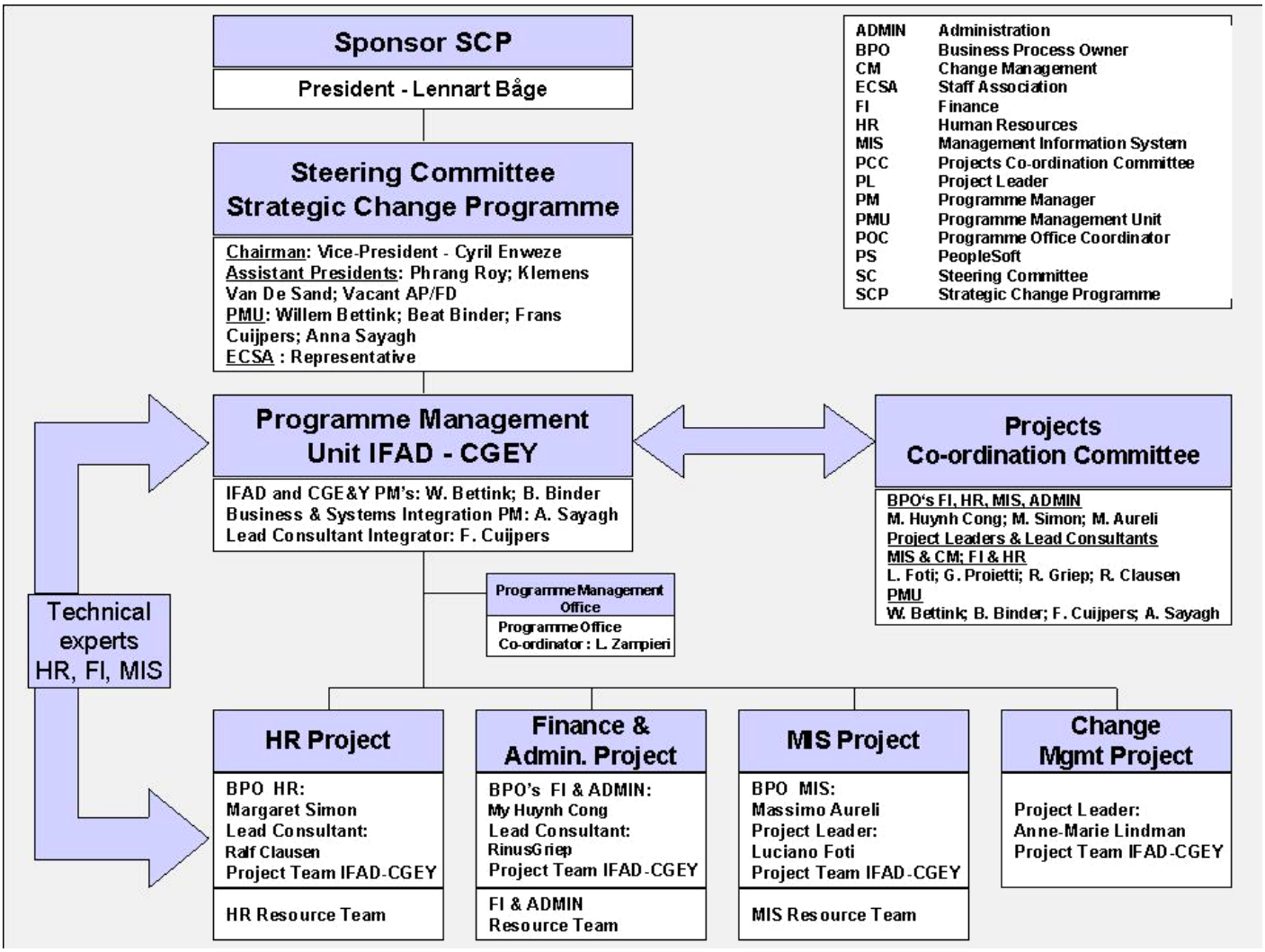
57. As of 30 November 2002, approximately USD 3.72 million of the second tranche of USD 15.5 million, approved by the Executive Board in December 2000, had been spent on the first phase of the SCP.

58. The table below shows by expenditure category the original allocation, actual expenditures in 2001 and commitments as of 30 November 2002. (Discrepancies are due to rounding up of figures.)

Expenditure category	**Original Allocation** (USD million)	**Actual Expenditure 2001** (USD million)	**Commitments at 30 November 2002** (USD million)	**Balance** (USD million)
Software packages	2.10	0.00	0.79	1.30
Upgrade of hardware	1.00	0.00	0.00	1.00
Consultants	7.30	0.14	1.62	5.58
Participation of IFAD staff	2.80	0.34	0.65	1.88
Training	0.90	0.05	0.12	0.73
Staff separation package	1.30	0.00	0.00	1.30
Total	**15.50**	**0.53**	**3.18**	**11.79**

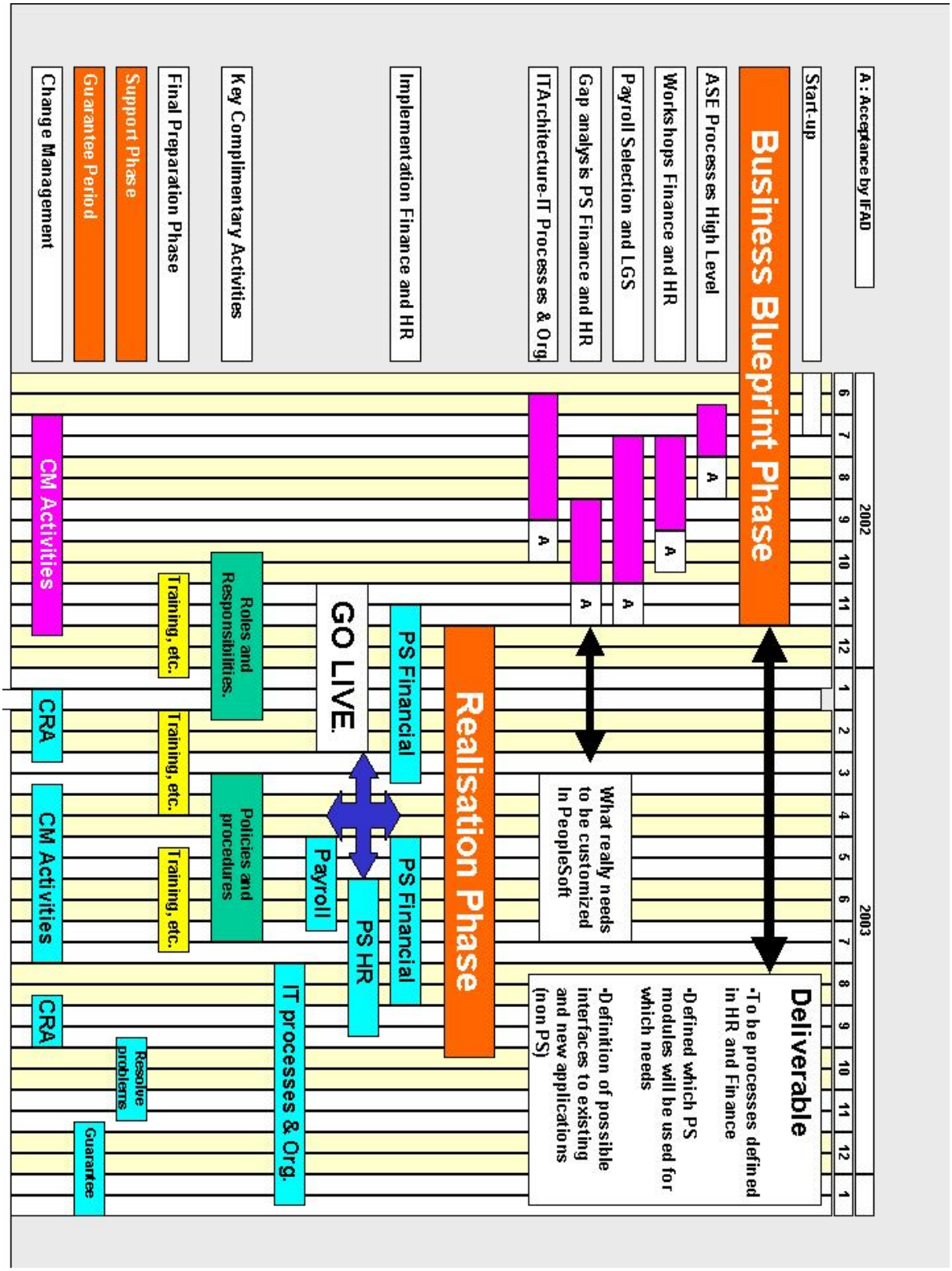
APPENDIX I

SCP ORGANIZATIONAL STRUCTURE



APPENDIX II

OVERALL IMPLEMENTATION PLAN AND DETAILS OF THE BUSINESS BLUEPRINT PHASE



APPENDIX III

STATUS OF DELIVERABLES BBP AS OF 15 DECEMBER 2002[1]

Deliverable	Due date	Acceptance date
Programme charter/programme management Methodology	**Delivered on 31 July 2002**	**Accepted on 9 September 2002**
High-level process model that includes major process flows and interfaces	**Delivered on 20 September 2002**	**Accepted on 15 October 2002**
Communication strategy and plan	**Delivered 25 August 2002**	**Accepted on 13 September 2002**
Training plans for implementations teams	**Delivered on 20 September 2002**	**Accepted on 3 October 2002**
Documentation standards and procedures for IT implementation	Delivered on 2 October 2002	Accepted 28 October 2002
Blueprint of processes, applications, data and interfaces	**Delivered on 25 October 2002**	**Accepted 13 December 2002**
Application architecture including IFAD major applications and description	Delivered on 25 October 2002	Accepted 13 December 2002
Detailed description of changes applied (if any) to the PeopleSoft model	**Delivered on 25 October 2002**	**Accepted 13 December 2002**
Design of environment: Information Systems (IS) and IT architecture. Alignment between IFAD and CGEY/standards for elements other than programme sponsor/system management component	Delivered on 4 October 2002	Accepted 14 October 2002
Model clients and servers configuration/standards for clients and servers	Delivered on 4 October 2002	Accepted 14 October 2002
Change and risk management strategy	24 December 2002	21 January 2003
Change management action plan	24 December 2002	21 January 2003
Benefits capture plan	24 January 2003	To be determined
Design of IT processes	21 January 2003	To be determined
Design of IT organization	21 January 2003	To be determined
Change-readiness assessment	March 2003	

[1] Deliverables in Bold have been accepted by the Steering Committee