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

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

CGEY   Cap Gemini Ernst & Young
PRP   Process Re-Engineering Programme
SCP   Strategic Change Programme

PROGRESS REPORT ON THE

PROCESS RE-ENGINEERING PROGRAMME
(STRATEGIC CHANGE PROGRAMME)

I. INTRODUCTION

1.   In adopting Resolution 116/XXIII at its Twenty-Third Session in February 2000, the Governing Council approved a capital budget of USD 26.0 million for a process re-engineering programme (PRP) for financial years 2000 to 2005. The President was authorized to appropriate the first tranche in the amount of USD 1.3 million (5% of the overall budget) for detailed programme design. This design phase was completed and presented to the Executive Board in December 2000. The Board approved a second tranche of USD 15.5 million to implement the current implementation phase of the PRP. In April 2002 an implementation partner was selected (Cap Gemini Ernst & Young), and a fixed price contract was negotiated and signed on 31 May 2002. The implementation phase started on 3 June 2002.

2.   The President was requested to report on the progress of the PRP – now known as the Strategic Change Programme (SCP) – at annual sessions of the Governing Council and to provide a final report at the session to be held in February 2006.

3.   This progress report covers the period of 1 October 2002 to 15 October 2003.

II. OBJECTIVES AND EXPECTED KEY CHANGES
OF THE STRATEGIC CHANGE PROGRAMME

4.   The main objective of the current phase of implementation of the SCP is to streamline administrative processes and eliminate manual work as much as possible, with the support of PeopleSoft, an integrated commercial software package.

5.   The three processes included in this phase are: **financial management** (accounting, loans and grants, procurement, travel and expenses, cash management, contributions, and budget), **human resources management** (workforce administration, recruitment of consultants, organizational development, and payroll), and **management information systems** (an adequate PeopleSoft technical architecture and the information-technology organizational structure for PeopleSoft). The key changes in financial management relate to activity-based budget and accounting processes, as well as the decentralization of budget input and monitoring. Those for human resources management relate to unification and centralization of human resources data, with some of the input to be decentralized. Finally, the key changes in management information systems relate to consistency in the technical architecture and in streamlining the support of systems.

III. SCP PROGRAMME PLAN, PROGRESS AND RESULTS

A. Programme Plan

6.   As reported to the Governing Council at its 2003 session, Cap Gemini Ernst & Young (CGEY) was selected as IFAD's implementation partner, with a fixed-price contract based on defined deliverables. CGEY consultants started work with IFAD staff in June 2002. The programme plan, elaborated in collaboration with CGEY, included the key activities and milestones to produce the deliverables required for the streamlining of the processes listed above, as defined in the contract. Key activities were grouped in five phases, corresponding to the various steps necessary to implement a commercial software package: (i) business blueprint phase; (ii) realization phase; (iii) final preparation phase; (iv) go-live and support phase; and (v) guarantee period. The expected implementation time frame was from June 2002 to February 2004.

7.   Modifications made to the initial plan in early November 2002 took into consideration the decision to complete the programme in three go-lives: April, July and October 2003, rather than the earlier intention to have a single go-live. This staged approach was chosen to allow IFAD to adapt to the new systems and progressively deploy the systems to users. Even so, recent experience and developments indicated that further recalibration of the programme would be necessary.

B. Progress in Implementing the SCP in 2003

8.   **April Go-Live.** The April Go-Live included the implementation of the PeopleSoft modules and corresponding processes for accounting and procurement. It also included the foundation for the monitoring of the budget, at activity level. The first go-live was important for IFAD, both psychologically and strategically, in terms of demonstrating that the implementation of modules could be carried out. It was indeed a major accomplishment for the staff to have delivered the two modules (general ledger/accounts payable and procurement) on schedule.

(a)   *General ledger/accounts payable.* These modules went live on 1 April, but without the final balances from the legacy system. In this connection, before the operational and financial data for all funds can be migrated from the legacy system, the data need to be converted and possibly augmented with restructured values and new fields so as to take into account the new activity-based budget structure, which is still being developed. As of this writing, it is expected that the data migration process will be concluded in November/December. As may be expected when implementing a major change in systems, various teething problems have been experienced in the first months of operations, although IFAD has been working closely with the implementation partner to resolve these issues.

(b)   *Procurement.* On 1 April 2003, the procure-to-pay module of PeopleSoft went live. The system is now being used for all headquarters procurement. The module automates and consolidates all purchasing and payment aspects of goods and services procured by IFAD. Some functions of the module are still under development to make the application fully meet IFAD's requirements, in particular the workflow, which is expected to completely automate the approving and signing of transactions within the system. Implementation of the procurement module has also given IFAD the opportunity to revise and improve its procurement guidelines for headquarters purchases. The new guidelines were approved by the President and implemented in April 2003 in concurrence with the launching of the PeopleSoft procure-to-pay module, and they are currently in use. The guidelines and the PeopleSoft module have both addressed, to the maximum extent possible, the recommendations made by IFAD's Office of Internal Audit in its report on procurement activities issued in May 2000.

9.   **July Go-Live.** The second stage, i.e. the July Go-Live, set as its objective the implementation of the PeopleSoft human resources and payroll modules as well as the financial modules for travel and expenses, contributions, and loans and grants. However, in consultation with the implementation partner, the go-live dates for payroll and loans and grants were rescheduled (see below); the human resources, travel and expenses, and contributions modules went live on various dates in July. While the July go-lives for contributions and travel and expenses were successful, the 30 July go-live for the human resources module was suspended, since IFAD still needed to develop aspects of the system.

(a)   *Contributions.* For the first time in IFAD's history, a database integrated with a financial system was identified for contributions data management. The PeopleSoft Integrated Contributions System went live on 7 July 2003. After the go-live date, extensive migration of the Fund's historical contributions data into the new system took place. Current transactions are processed on-line in the system, and the system now stores the records of all Member States' contributions since the inception of the Fund. One of the major benefits of this system is the information-sharing through reports made accessible through a Web browser. Reports are already available and a complete analysis on the performance of data is currently underway.   It is envisaged that these reports will be ready for use by the end of 2003.

(b)   *Travel and expenses.* The 10 July go-live was successful but limited to the Travel Section, Office of the Controller. The system meets the guiding principles of the SCP, which include: streamlining and simplifying the travel process, moving from ex ante control to ex post control and from multiple approvals to single approvals, in addition to the elimination of paperwork and manual tasks. In-house training will be provided gradually to staff in order for the system to be utilized throughout IFAD.

(c)   *Recruitment of consultants.* This module has also been delayed due to the suspension of the human resources module go-live and integration issues, as well as to allow more time to develop appropriate policies and procedures and an efficient search function for the consultants database.

10.   A number of lessons were learned from the April and July Go-Lives and, as a result, a number of remedial steps have been taken. First of all, on the advice of IFAD's quality assurance experts and based on the Fund's own internal review, it was decided to postpone the go-live of the other two modules planned for July, namely payroll and loans and grants. Secondly, because of the problems that became evident in the July Go-Live, IFAD and CGEY undertook a week-long 'stock-taking' exercise in late September 2003 for each module, where all elements were reviewed and an analysis was made of the time, effort and manpower needed in order to move forward.

(a)   *Payroll.* The lessons learned from the ambitious target of going live in July prematurely with some modules indicate that rigidly managing the project by go-live dates can sometimes be counterproductive. In particular, for the payroll module, the resolution of the issue of retroactive payroll payments is critical to go-live, and the next complete rerun will be undertaken only when all outstanding issues have been resolved and tested; IFAD and CGEY are still working on these issues.

(b)   *Loans and grants.* Following a review of IFAD's internal processes, CGEY advised in April 2003 that the standard PeopleSoft package could support the Fund's business requirements in this area only if modifications were made to the standard code, which they did not recommend. IFAD and CGEY then embarked on a process to define a way forward. The main focus was to agree on initiating work on two levels: first of all, a temporary solution, to ensure that loans and grants transactions were reported in the

newly implemented accounting system; and, secondly, the design of a new and comprehensive loans and grants system. Ongoing meetings are underway between IFAD and CGEY to agree on critical aspects of these steps and to define a process for negotiating costs and content (including a timetable) for the implementation of the new system.

11. **October Go-Live.** The third stage, i.e. the October Go-Live, envisaged the implementation of the PeopleSoft financial modules for budget preparation and cash management. This go-live was originally planned for 1 October 2003 but did not take place owing to a number of reasons:

- as noted above, there was a large backlog of problems and issues to be resolved from the April and July Go-Lives, including, notably, data migration issues;
- changes in programme management on both CGEY's and IFAD's side caused some delays; and
- the stock-taking events highlighted some integration issues that needed further work.

12. For these reasons, it has been decided, in consultation with CGEY, to conduct an overall assessment of the next steps and to postpone the October Go-Live dates in order to allow more time for proper implementation.

(a) *Budget preparation.* Implementation of the budget preparation module, originally planned for 1 October 2003, is ongoing and a new go-live date will be determined shortly, in consultation with CGEY. Meanwhile, training of the team was completed this summer, and the team is now actively working on elaborating the business requirements for this process. Training of all end-users will be carried out in 2004, well in time for the module to be used during the 2005 budget preparation phase.

(b) *Cash management.* The initial cash management phase started with development of an electronic fund transfer interface between the PeopleSoft procure-to-pay system and IFAD's banking applications. This automation has been instrumental in redesigning and implementing the new payment process. Cash management has been involved also in implementation of the PeopleSoft travel and expenses module, which went live in July. At the end of September 2003, in order to proceed with implementation of the core functionalities of this module, IFAD's cash management business requirements have been restated in light of its major cash flow dependencies: loans and grants, investments, contributions, and payroll. The team composed of IFAD treasury and accounting staff and the implementing partner is working on a solid functional design for developing interfaces and reports in order for the new cash management module to support effectively and efficiently the management of IFAD's resources.

13. **Management information systems.** The information-technology stream of the SCP was articulated in two main components:

(a) Design and implementation of the PeopleSoft technical infrastructure (equipment and software) for execution of the modules developed by the consultant to support IFAD business processes in a context of reliable and secure operations. The technical infrastructure for PeopleSoft applications is articulated in two independent environments – one for development and one for production – to ensure the necessary segregation between implementation activities and operations after go-live. The development environment was delivered to the implementation team in October 2002. The detailed design of the various components of the production environment was completed at the end of January 2003. The relevant procurement process was initiated immediately thereafter and completed in record time to permit the delivery of new

equipment by the end of February 2003. All activities for the installation, integration and testing of 20 servers, 13 networking components and all PeopleSoft modules and tools were completed on time for subsequent release of the production environment by 31 March 2003, as planned. Since April 2003, the production environment has been operated by IFAD staff under the technical guidance of a CGEY consultant.

(b)   Review of IFAD's existing information-technology processes and organization with the objective of building appropriate capacity in this area (processes, competencies, people and tools) that would allow IFAD to take full advantage of information technology, including mainstreaming of new PeopleSoft applications implemented by CGEY. A proposal in this regard is being finalized and will be presented to IFAD's senior management in the near future for approval.

C. Related Issues

14.   An intensive and dedicated effort is underway to ensure that IFAD will secure a good, sustainable system. This requires proper quality assurance, an appropriate support structure, training and a change management strategy for the 'softer' aspects of the new system.

15.   **Quality assurance.** As part of the risk and issues management of the SCP, three external quality assurance reviews took place between March and July 2003; a fourth one is scheduled for January 2004. A consulting firm undertook a review of the main components of the programme and provided recommendations for improvements. Some of the areas addressed were: programme planning and monitoring, issue and risk management, testing, data migration, integration issues, communication, training and change management.

16.   **PeopleSoft support structure.** Before the April Go-Live, a structure to support the systems that were to go live was designed and put in place. Documentation standards and the process for managing and reporting system-related incidents were defined. This structure relied on the experience and knowledge already acquired by IFAD staff. Two external consultants were recruited to supply PeopleSoft competencies to be developed in-house, and they are currently providing support with the goal of gradually transferring the relevant knowledge to IFAD staff.

17.   **Training.** A high-level plan was defined at the early stage of the programme, including training paths for each of the technical and functional profiles. Formal PeopleSoft training was provided to staff involved in the various teams responsible for implementation of the system. Training sessions were also organized before each go-live for end-users who would use specific modules of the system. A training plan has also been developed for the training of IFAD personnel. The overall objective of the plan is to train and prepare all concerned staff to use the new PeopleSoft system and to introduce them to changes in current IFAD procedures. This training will be provided to all users prior to roll-out.

18.   **Change management.** During the course of implementation this year, change management issues have been examined. A change management strategy was developed that included senior management leadership, organizational alignment, training, communication and risk management. Workshops were organized to bring these issues to the attention of both management and staff working on the SCP. In June 2003, a management readiness assessment was carried out with the objective of determining the readiness of IFAD managers to accept and implement budget decentralization, a fundamental part of the SCP. This assessment indicated that managers were indeed ready for this change, but also highlighted areas were support was needed. Appropriate training for staff, as well as having a technical support structure in place in time for roll-out, were important areas where action needs to be taken.

19.   Given the number of modules to be implemented in 2004 and the corresponding number of changes IFAD will still be going through, it is fundamental that IFAD continue to place emphasis on change management issues. It is therefore expected that an expert in change management will be working within IFAD's human resources division to assist with SCP implementation.

IV. SCP BUDGET UTILIZATION

Status of Expenditures and Commitments

20.   In adopting Resolution 116/XXIII at its Twenty-Third Session in February 2000, the Governing Council approved a capital budget of USD 26.0 million for the Process Re-Engineering Programme and a first tranche of USD 1.3 million for the design phase (a maximum of 5% of the overall budget). At December 2001, expenditure from the first tranche was approximately USD 1.0 million. At 15 October 2003, approximately USD 7.4 million of the second tranche of USD 15.5 million (or approximately 50%), approved by the Executive Board in December 2000, had been spent on the first phase of the SCP.

21.   The table below shows, by expenditure category, the original allocation, expenditures in 2001 and 2002, and commitments as at 15 October 2003.

SCP EXPENDITURES 2001 – 2003 (OCTOBER)
(USD)

Category	Total Allocations	Expenditure 2001	Expenditure 2002	Commitments as at 15 October 2003	Balance
Staff replacement	2 870 254	338 254	651 539	1 070 830	809 631
Consultants	7 353 471	141 828	1 623 169	1 694 518	3 893 956*
Travel and training	881 038	29 038	110 535	201 956	539 509
Other expenses	98 237	26 237	11 467	13 980	46 553
Software	2 022 000	-	781 015	102 251	1 138 734
Hardware	975 000	-	7 507	607 282	360 211
Staff separation	1 300 000	-	-	-	1 300 000
Total	**15 500 000**	**535 357**	**3 185 232**	**3 690 818**	**8 088 593**

*   Of this amount, USD 3.2 million is committed against the CGEY contract.

22.   The major categories of expenditure in the SCP budget for 2003 have been: staff replacement, to allow departments to replace staff involved full-time with the SCP; consultants, to supplement capacity in technical areas, communication and quality assurance; and training, to provide individual and group training in PeopleSoft modules to IFAD staff. Monthly status reports were provided to the Steering Committee for purposes of monitoring the budget.

V. THE WAY AHEAD

23.   The experience gained in this first year of implementation of the SCP has been most useful, and it is now clear that the original time schedules and go-live dates were ambitious: clearly the organization had taken on a major project with a relatively short timeline. In addition, the time needed to review, revise and approve new policies and procedures that would impact changes on how people work was not correctly estimated, especially in light of several other concurrent corporate initiatives.

24.   The conclusion reached at some of the stock-taking events was that, for some of the modules, the organization was not ready to go live. In addition, budget, loans and grants, and cash management needed further work, even at the design stage, before attempting to finalize the system. Furthermore, integration issues that were not fully analysed and designed at the initial stages are now being addressed. Efforts are also underway to deal with data migration issues, which had not received due attention, and to better define business requirements for some modules.

25.   All of the above has led the SCP team to step back and recognize the need to recalibrate the programme in order to be able to properly deliver a quality product with a more realistic timeline. IFAD's quality assurance advisors are scheduled to come in late November to assist the Fund in this planning, building on the results of the stock-taking exercise with CGEY. In the meantime, work is continuing and moving forward, especially on the payroll, budget, cash management, and loans and grants modules.