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PROCESS RE-ENGINEERING PROGRAMME
(STRATEGIC CHANGE PROGRAMME)

REPORT ON THE IMPLEMENTATION OF PHASE I

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I. INTRODUCTION

1. In February 2000, the Governing Council approved a capital-expenditure budget of USD 26.0 million to finance a five-year Process Re-Engineering Programme (PRP) during financial years 2000-2005. The President of IFAD was requested to report on progress annually and to provide a final report to the Governing Council in February 2006. The first phase of the programme, which was subsequently renamed the Strategic Change Programme (SCP), was launched in 2001 at an estimated cost of USD 15.5 million.

2. IFAD reported on the progress of PRP/SCP activities on a regular basis through December 2004. As the first phase of the programme will come to a close at the end of 2005, this paper reports on additional progress made during 2005 and identifies the main benefits achieved by the programme to date. These benefits, which relate primarily to the efficiency, effectiveness and quality of IFAD's financial and administrative processes, are both of a tangible and an intangible nature.

3. The more tangible benefits already obtained are some efficiency gains resulting from automating labour-intensive tasks, such as bank and account reconciliation, input and interface activities and reporting; reduction of bottlenecks and delays caused by manual routing and approval flows and the associated burden of tracking the status of work in different offices; cost savings resulting from replacement of obsolete systems having high operating costs; faster access to financial and administrative data and greater reporting capacity; greater possibilities for performing in-depth and strategic analysis and review of financial data; and lower risk of error throughout the integrated system as data is now entered only once. Also, procedures have been developed for many critical business activities and issued to staff, including: Contributions Manual, Travel Manual, Human Resources Procedures Manual, Treasury Manual, Procurement Policy and Guidelines, and Budget Decentralization Guidelines.

4. Among the more intangible benefits are more systematic internal controls through automated and built-in procedures; reduction of the risk of human error and greater accuracy of data supported by the new system; and greater transparency in administrative and financial transactions. Based on specific "lessons learned" sessions, IFAD has attempted to leverage a higher level of internal expertise to drive implementation of future plans. These benefits are likely to enhance IFAD's capacity to address new challenges, improve internal controls and meet quality objectives.

5. Achievement of these benefits is a key milestone for IFAD, considering the complexities involved in managing a project with three major management consulting firms intervening in succession. As indicated in the latest report of the external quality assurance company, "all too many organizations seem to fail to accomplish even the basic set of technical tasks on their way to strategic change".

6. Furthermore, according to research conducted in 2002 by the Gartner Group, 50% of enterprise resource planning (ERP) implementation projects end up in failure. Also, as reported in leading IT management publications, not only is a drop in the organization's overall performance likely to occur as the project approaches completion but the realization of benefits is likely to be delayed by two to three years.

7. Key lessons to be learned from SCP implementation include the need to set realistic deadlines; the importance of clarifying and managing project scope; the need to use a "phased" rather than a "big bang" approach; the need to involve the IT units from the beginning of the project; the realization that responsibility for system delivery cannot be delegated to consultants; and the need to exercise close and direct supervision of external technical consultants on a day-to-day basis.

8. While some testing and roll-out activities will take place in early 2006, the main implementation efforts of the first phase of the SCP will be drawn to a close by 31 December 2005. These testing and roll-out activities, which will be performed by users with support from the Management Information Systems Division (FM) as part of IFAD's ongoing development work, are purely technical and do not require keeping in place the SCP management structure.

9. Other outstanding tasks – which are typically carried out after the closing of an ERP implementation project, including absorption of some of the most recently implemented changes – will be addressed as part of IFAD's regular process improvement and ongoing IT development activities carried out by FM.

II. SCP PROGRAMME PROGRESS IN 2005

10. During 2005, progress has been made in several areas. An update is provided below.

11. **Human resources and payroll.** The new payroll system (Global Payroll) went live at the beginning of the year with full retroactive capability. Subsequently, it was further developed to include processing of temporary employees and one-time human resources payments.

12. **Budgeting and commitment control.** The budget process was decentralized to budget holders in the various divisions at the beginning of the year and subsequently extended to include decentralized management of supplementary funds. In the last quarter, changes were made to the budget system to isolate divisional budget allocations from exchange rate fluctuations affecting actual expenditures; these will be deployed on 1 January 2006.

13. **Cash management.** Automatic bank statement upload and reconciliation procedures were completed and additional analytical reports for cash management were developed to better support the liquidity management function in the Treasury Division.

14. **Asset management.** The asset management system was enhanced with a bar coding interface to facilitate tracking of office equipment and other physical assets throughout IFAD. The interface allows direct capture of inventory data through portable optical readers.

15. **Loans and grants.** The process of revisiting the internal structure of the system, eliminating obsolete parts of the program and enhancing the internal design, continued during the year. Data integrity controls were strengthened and some inaccuracies in the database were corrected. Also, the billing module was redesigned and re-implemented to better fit IFAD's requirements. The current technical refactoring and enhancement work is now scheduled for completion by the end of 2005 with the parallel run of the new billing functionality; further testing activities are envisaged to continue during the first quarter of 2006 in order to ensure the accuracy of the results before definitively phasing out the old version of the system.

16. **Travel and expenses.** A significant effort was made in the second half of the year to develop workflow functionality for travel and expenses submission and approval. The functionality developed allowed IFAD to begin decentralizing the travel management process to the various divisions.

17. **Knowledge management.** A knowledge management strategy paper was developed by a small interdepartmental group and presented to Senior Management. The document stimulated further discussion on the subject and provided input for the definition of comprehensive activities under the Action Plan.

18. **Procedures.** A significant institutional effort was made in 2005 to complete the definition of internal procedures initiated in previous years. As a result, three key procedures manuals were issued, namely the Travel Manual, the Human Resources Procedures Manual and the Treasury Manual.

19. **Cultural development and change management.** Activities in this area were effectively led by the Customer Service Team and concentrated on orientation, communication and training. A very intensive effort was made to prepare staff for the upcoming change through more than 800 person/course units delivered in the form of new courses, refresher courses and orientation sessions. IFAD staff have regularly been informed, trained and overall increasingly prepared for the required behavioural changes.

20. **Quality assurance.** As part of the continuous assessment of the programme, a sixth quality assurance review was conducted in 2005 by an external quality assurance firm. Progress was acknowledged, recommendations for further improvement were made in a number of areas, and action was taken as appropriate.

III. BENEFITS ACHIEVED BY THE PROGRAMME

21. The first phase of the PRP/SCP focused on improving and developing structures to achieve efficiency gains in the organization's basic processes. These basic processes were organized into four areas, namely, support services, strategy and finance, IT and human resources (HR).

22. This section presents the benefits achieved by the programme to date in each area. In order to measure the SCP's benefits in a consistent and professionally sound manner, commonly accepted best practice indicators – namely cost, quality and timeliness, in line with the Global Best Practices Statistical Yearbook – have been used as defined below.

- **Quality:** the process produces improved, more effective outputs with a lower level of risk as a result of a higher level of quality control.
- **Cost savings:** the cost of running the process is lower in terms of resources (human and otherwise) intervening as a result of more effective processing steps and controls.
- **Timeliness:** process cycle time is shorter and output is more timely and easier to generate.

23. In order to provide a comprehensive view of the benefits achieved in each area at a glance, a summary table has been included at the end of this section.

A. Support Services

24. The goal in this area was to identify and implement process changes leading to more efficient support services available to the organization.

25. For the functional areas not requiring new IT systems, in-house analysis and process redesign was completed in June 2001 resulting in streamlined processes in several areas:

Quality

- The Protocol Office under Administrative Services was merged with the Member Relations Office and moved to the Office of the Secretary.

Cost Savings

- Three Professional staff posts in translation were abolished through staff retirement and lateral transfers.
- Visa Services and Privileges and Immunities functions were merged to be handled by one person.

Cost Savings and Timeliness

- Increased use of outsourcing for translation and editing work.

26. For the functional areas that required new IT systems, two services were identified in 2001 for review and streamlining, namely, procurement and travel management. An additional service, asset management, was also identified for streamlining in 2004.

Procurement

27. The procurement system involving accounts payable and purchase order (AP/PO) functionality went live in April 2003 with basic features; in May 2004 purchase requisitions and electronic receipting of services were decentralized to the originating divisions.

28. The key output of this system has been the automation of the workflow involved in the procurement and payment process. Prior to this system, all procurement transactions were completed manually (e.g. purchase requisitions were typed on carbon paper and circulated in hard copy for signature) and the matching of invoices with POs and receipt of delivery were also done manually.

29. A new procurement policy and guidelines have been defined in conjunction with the new system, incorporating internal audit recommendations that could only be implemented with an automated system. The system has also permitted a faster, more reliable and efficient payment process through an automated three-way matching of PO, invoice and receipt. With the deployment of the Procurement module, IFAD has obtained the following benefits:

Quality and Timeliness

- Streamlined and transparent vendor management as information about both established and potential vendors is stored, accessed and reported on centrally.
- Streamlined procurement policy and guidelines resulting in faster procurement and greater compliance with internal controls and internal audit recommendations.
- Purchase orders are generated from electronic purchase requisitions, avoiding retyping and reducing the risk of error.
- Originators can track the status of purchase requisitions on-line, reducing internal calls and other delays.

Quality and Cost Savings

- The Procurement Unit is now able to monitor procurement trends and generate savings as smaller orders for the same items can be combined.
- Great reduction in the flow of supporting documentation between divisions.
- The integration between the procurement and the payments systems has eliminated the need to input data into two separate systems.
- Streamlining of activities has resulted in manpower savings.

30. As part of IFAD's regular system maintenance and evolution activities, functionality to handle contracts for consultants' services and to manage corporate credit card payments is expected to be added to the procurement system during 2006.

Travel and Expenses

31. Prior to the SCP, travel was a completely paper-based manual process. Users typed travel authorizations and travel expense claims on carbon-copy forms that were hand-signed, hand-delivered, and later input into spreadsheets by staff in the Travel Section.

32. In July 2003, the Travel and Expenses (T&E) module went live to support IFAD's centrally managed travel process in the Controller's Office. Decentralization of travel processing to the originating divisions was envisaged but technical problems and other priorities delayed further

implementation until mid-2005. During the second half of 2005, workflow functionality for travel and expenses submission and approval was implemented.

33. Use of the T&E module is being decentralized to IFAD departments starting in the fourth quarter of 2005. In the decentralized process, travel authorizations and expense reports are prepared and submitted through the new system and processed automatically using the T&E workflow.

34. Although full roll-out of the decentralized T&E module is still in progress as of this writing, benefits have already been obtained with the current use of the system, such as:

Quality

- The full integration between the T&E module and the General Ledger has eliminated the need for duplicate input and the errors associated with multiple data sources.
- Automated accruals have streamlined back-office work in the Travel Section.
- The travel process has been standardized for staff travel.
- The Travel Manual has been issued with streamlined procedures.

Timeliness

- The submission and approval cycle based on electronic workflow is faster and allows to track the status of work at any point in time.

Asset Management

35. While not included in the original SCP mandate, implementation of the Asset Management module was driven by the pressing need to replace an obsolete, custom-built inventory system and respond to internal audit concerns about the management of inventory and assets.

36. The Asset Management module was seen as a cost-effective alternative to modifying and further maintaining the obsolete system. The module was implemented in June 2004 to track the life cycle of all non-expendable assets. Following the release of this module, IFAD has obtained the following benefits:

Quality

- Lower risk due to better data integrity and control as per internal audit recommendations.
- Error reduction and greater efficiency as asset information is now available from the AP/PO system rather than through manual data entry.
- Up-to-date physical inventory information regarding IFAD's assets.
- Greater flexibility of reporting and access to inventory information.

Cost Savings

- Cost savings on the external technical support and maintenance that had to be paid for the obsolete IFAD inventory system.

37. It should be noted that, as part of its regular process improvement activities, IFAD is planning to outsource the stockroom management for office supplies in 2006.

B. Strategy and Finance

38. The goal for this area was the integration of financial processes from both a business and an IT support perspective. Work on the strategy and finance area was divided into seven separate streams across three different divisions, the Controller's Office (FC), the Office of the Treasurer (FT) and the newly created Strategic Planning and Budget Division (FS). The main achievements in these areas are discussed below.

General Ledger

39. The implementation of the new integrated General Ledger system provided greater operational efficiency across the organization as a result of streamlined, timelier financial processes with a greater level of automation. It also permitted to take on new activities related to quality assurance and compliance.

40. In addition, significant work was done to simplify and standardize the chart of accounts structures across all business entities (IFAD, supplementary funds and hosted organizations), facilitating the generation of standard and ad hoc financial reports and promoting the transparency and consistency of data.

41. Financial policies and procedures were streamlined, formalized and communicated to the staff, including accruals policy, new consolidation principles, contributions revenue accounting, contributions provisioning, and lump-sum arrangements for education grants, rental subsidies and shipping entitlements. Benefits obtained from this system include:

Quality

- Moved the Fund towards automated monthly closing of accounts.
- Facilitated compliance with accounting best practices and standards.
- Facilitated compliance with internal controls and audit recommendations.
- Reduced risk associated with manual input and duplicate data entry.

Timeliness

- More timely year-end closing of accounts and preparation of financial statements.
- More readily available and standardized financial data across the organization.
- More efficient processing due to greater automation, such as loading of daily exchange rates, consolidation of funds and translation of non-USD balances and transactions.

Cost Savings

- Reduced overtime and increased efficiency in the preparation of financial statements and financial reporting.
- Transfer of one staff member from the Controllers' Office to the Policy Division.

Global Payroll

42. The Global Payroll module was delivered in January 2005 with full retroactive processing capability and the obsolete Millennium payroll system was taken off-line and subsequently decommissioned. The new system delivered additional functionality not previously available, including one-off staff payments, third-party payments and daily staff payroll processing.

43. Although full payroll accounting processing (including accruals and retroactive distribution) is due to be completely implemented in 2006, the basic accounting data interface capabilities of the new system are already superior to those previously available. Benefits obtained from this system include:

Quality

- Reduced risk of payroll errors and inconsistencies across systems as data are entered into the system only once.

Cost Savings

- In conjunction with the new HR system, cost savings in excess of USD 200 000 annually associated with the decommissioning of mainframe services for the execution of Millennium personnel/payroll programs.

- Costs associated with mass printing and delivery of hard-copy payslips abolished.
- Daily temporary staff payroll and other payroll-related payments are no longer processed manually.

Timeliness

- More efficient, shorter-cycle end-to-end payroll process due to the integration of the Global Payroll with the General Ledger and Cash Management modules.
- More timely payments to temporary staff and consultants.

Contributions

44. The Contributions module is used to capture information regarding contributions received and receivable from Member States resulting from the replenishment of IFAD's resources and to generate a variety of reports for both internal and external use, including replenishment data. In addition, the Contributions module supplies ready-to-use data for IFAD's financial statements. Prior to the development of this module, contributions data had been separately maintained by different divisions in isolated spreadsheets and paper flows.

45. As part of the development of this module, new processes and procedures regarding contributions revenue accounting and contributions provisioning were formulated. In addition, a specific unit within the Controllers' Office was assigned responsibility for maintaining the data. The module went live in July 2003, and contributions reports have been available on the IFAD Intranet since early 2004. Benefits obtained from this system include:

Quality

- Greater consistency and accuracy of contributions data by using a single repository.
- Alignment of contributions data with the General Ledger resulting from the integration of the two systems.
- Contributions Manual developed and issued to staff.

Timeliness

- More timely access to contributions data and reports by management and staff in various divisions.
- More readily available data for financial statements and ad hoc reporting.

Quality and Cost Savings

- Duplication of work in different units has been eliminated by centralizing contributions management activities in one unit.
- Streamlining of activities has resulted in reduced manpower requirements.

Cash Management

46. The cash management stream was set up to optimize financial information flows and assist IFAD's Treasury Division in managing liquidity through more timely and meaningful reporting. The Cash Management module went live in three phases, namely, outbound financial data, inbound financial data, and liquidity management. With the introduction of the Cash Management module, all payments are now handled through a single system. Benefits obtained from this system include:

Quality

- Reduced risk of errors as the Cash Management module interfaces directly with the payments system and with other financial modules.
- Streamlined payment process with weekly payment schedules.

- Improved customer satisfaction because Treasury staff can more readily respond to queries about payments from external parties.
- Treasury Manual updated and issued to staff.

Cost Savings

- Productivity improvements allowing twice the number of payments to be processed annually with the same number of staff in the Treasury Division.

Timeliness

- Faster on-line bank reconciliations and greater automation resulting from downloading of electronic bank statements.

Budget Preparation

47. The Budget Preparation module was implemented to facilitate the budget preparation process by providing an integrated application for the input, review, reporting, submission and approval of IFAD's budgets. The module also allowed the introduction of activity-based budgeting. Prior to the deployment of the Budget Preparation module in June 2004, divisional budget preparation exercises were conducted using separate spreadsheets across the organization. This meant that the budgetary information was disaggregated and difficult to report on. Benefits obtained from this system include:

Quality

- Support for strategic budgeting and allocation of resources by priority.
- Divisions now prepare and submit annual budgets into a single integrated application.
- Divisions and management have the ability to produce and/or access detailed reports on budget submissions.
- Simpler budgeting process.
- Enhanced reporting capability resulting from change to an activity-based fund code structure.

Budget Decentralization

48. Budget management was decentralized to enhance the linkage of budgetary allocations to the organizational priorities as well as to ensure efficient and accountable use of the Fund's resources by placing the control and responsibility for budget management with each unit head. This was achieved through greater analysis of resource requirements and the implementation of a "commitment control" functionality within the integrated financial system.

49. Prior to decentralizing budget management, budgets were maintained on spreadsheets both in the various divisions as well as in the Budget Unit. Apart from duplication of effort, this created difficulties in measuring budget utilization across the organization and anticipating deviations from planned expenditures for possible reallocation.

50. The budget decentralization redefined the budget function from recording and tracking budget commitments to performing in-depth analytical work on resource utilization. The analysis of information not previously available allowed IFAD to undertake new activities in the area of strategy, improving the linkage between resource requirements and strategic objectives and supporting the house in making more strategic decisions with respect to resource allocation.

51. Decentralized budget management is a new way of doing business in IFAD and it will take some time before it becomes fully engrained in the organization's culture. Nevertheless, it moved the organization forward towards linking managers' spending decisions to the organization's strategic priorities. Benefits obtained from this implementation include:

Quality

- Greater consistency and accuracy of budgetary data which is now stored in one integrated repository and as part of IFAD's financial system.
- Control and decision-making authority for individual budgets within units.
- Greater ability to link divisional budgets to institutional priorities.
- Ability to perform both activity-based as well as category of expenditure (account code) analyses.
- Greater awareness and understanding of budget process resulting from budget decentralization guidelines issued to staff.

Quality and Timeliness

- Improved capacity for real-time reporting on budget execution.
- Less time needed for budget reconciliation.

Cost Savings

- Transfer of three staff members from the budget area to the loans area in the Controller's Office.

Loans and Grants

52. In June 2004, the SCP Steering Committee approved the recommendation to "refactor" and enhance IFAD's existing Loans and Grants System (LGS). This approach was adopted in view of the significant customization required to implement the LGS functionality in the new financial system and work commenced in July 2004 with the support of external consultants.

53. Primary objectives of the refactoring project included improving the maintainability of the system by revisiting its internal structure, eliminating obsolete program code and reorganizing its basic internal functions; stabilizing critical areas of the system by addressing data integrity and functional shortcomings; and implementing enhancements to cater for changing business requirements.

54. Program code was significantly streamlined and reorganized, taking advantage of built-in support in the database that was not available at the time the LGS was implemented. Greater clarity and efficiency was achieved in the execution of queries by building additional key structures and faster performance was obtained as a result of moving the application to a new hardware platform.

55. The technical refactoring and enhancement is scheduled for completion by the end of 2005 with the parallel run of the new billing functionality; further testing activities during the parallel run are envisaged to continue during the first quarter of 2006 before definitively phasing out the old version of the system. Overall, refactoring has made the system easier to maintain and has improved the accuracy of the historical database.

56. The improved system should be a leaner and more stable application, better suited for integration with other Web-based IFAD systems. Benefits obtained from this implementation include:

Quality

- More stable system due to improved internal organization.
- Cleaner, more accurate historical transaction data.
- Automatic loading of daily International Monetary Fund exchange rates.
- Improved interface between the LGS and the General Ledger.
- Greater flexibility built into the loan billing functionality.
- Ability to change repayment schedules to suit business changes.
- Greater suitability for integration with other corporate systems.

Timeliness

- Faster system response due to new hardware and database platform.

Quality and Cost Savings

- More maintainable system due to cleaner program code and upgraded software platform.

C. Information Technology

57. The information technology (IT) stream was intended to augment IFAD's internal capacity to support, maintain and evolve business-critical financial and human resources management applications, usually referred to as enterprise resource planning (ERP) systems, which were to be implemented under the umbrella of the SCP.

58. This objective has prompted a reorganization of roles in the IT area and the implementation of a new model of interaction and technical management starting in mid-2004 organized along the areas of solutions, infrastructure and customer service. The new model has effectively helped absorb the impact of implementing a large integrated system and has provided continuous technical and functional support to users.

59. It should be noted that because of the width and depth of the business functions covered by the integrated system, IFAD has had to expand its internal business support capacity. The systems support team's business analysts spent a significant amount of time with users and process owners to ensure that sufficient integration exists between the modules of the system and between the various business processes.

60. The implementation of IFAD's ERP system has created interest in other UN organizations in fostering inter-agency collaboration and knowledge-sharing. The United Nations Development Programme (UNDP) and the United Nations High Commission for Refugees (UNHCR) have sought IFAD's advice and have requested information on the ways IFAD has customized its payroll, travel and other modules. In response, IFAD has conducted knowledge-sharing sessions with UNDP and supplied its payroll module and database configuration to UNHCR.

61. Given the increasing reliance on the new system for performing critical financial processes, during 2005 IFAD has developed a data replication system in conjunction with the United Nations International Computing Centre (UNICC) data centre in Geneva. This new facility, which will become operative in 2006, will ensure availability of financial and human resources data for disaster recovery purposes.

62. Benefits obtained from the changes in the IT area include:

Quality

- Internalized application and infrastructure support for the integrated system.
- Enhanced business support provided to financial users both in terms of optimal use of the system capabilities as well as in terms of process integration and streamlining.
- Enhanced user training capabilities with emphasis on understanding new IFAD business processes.
- Improved customer service orientation, with ongoing monitoring of IT service and quality levels.
- Partnership development through knowledge-sharing and collaboration with other United Nations agencies facing implementation of large-scale IT systems.

Timeliness and Cost Savings

- Foundation for disaster recovery and business continuity services through replication of corporate data on a remote site hosted by UNICC.

D. Human Resources

63. Work during this phase of the SCP was geared towards replacing an obsolete, high-maintenance system with a modern, more flexible and integrated system that could support improved, more timely and higher quality HR management services and reduce the cycle time of HR processes.

64. A Workforce Administration module with IFAD's full historical employee data was delivered within the Human Resources Management System (HRMS) and is currently used for daily HR processes. This permitted a reduction in operating costs for the payroll system in excess of USD 200 000 annually. An Employee Profile module was also implemented that allows staff to maintain their personal details directly and access other self-service functions such as privileges and immunities data.

65. This implementation provided a foundation for the higher-order goal of transforming the Personnel Division from the administrative role it had traditionally played (centred on posts) to that of a strategic partner in IFAD's business (centred on people). Making further steps towards this goal will require the support of the "human capital management" functionality as outlined below. Benefits captured from the HRMS implementation include:

Quality

- IFAD now has an integrated platform suitable for implementation of strategic "human capital management" functionality.
- Ability of staff to maintain their personal data directly in the system in accordance with best practices.
- Streamlining of the Human Resources Procedures Manual was triggered by the SCP.

Cost Savings

- A significant reduction in payroll preparation costs (implementation allowed IFAD to phase out the Millennium system).

E. Next Step: Human Capital Management

66. As indicated above, SCP activities during Phase I in the HR area focused on the implementation of the Workforce Administration module to replace the obsolete Millennium personnel/payroll system. The latest version of the platform on which the module is based, called Human Capital Management (HCM), provides a foundation for implementing the functionality required to support strategic HR objectives laid out in the Action Plan.

67. The HCM platform, centred on people rather than on posts, provides key tools to support the restructuring of the HR function and implementation of a new HR strategy including recruitment management, training and development management, skills and competency management, performance and reward management, and succession planning.

68. The HCM platform includes an Absence Management module, which will allow IFAD to replace the current Leave Management System after several years of service, as well as the necessary tools to implement the upcoming compensation changes driven by the International Civil Service Commission (ICSC) such as pay-for-performance and broad-banding.

69. To take advantage of the HCM capabilities, IFAD will now need to implement a number of modules that will enable and support the change requirements of the Action Plan, such as the Employee Development, Employee Performance, Recruitment and Absence Management modules, the implementation of full reporting capability and preparation for the upcoming employee compensation changes.

F. Summary of Benefits Achieved

70. The table below presents a summary of the benefits achieved through the SCP's Phase I activities in the various areas discussed.

SUPPORT SERVICES	BENEFIT*	CASH MANAGEMENT	BENEFIT*
Merger of Protocol and Member Relations	Q	Reduced risk of error	Q
Reduction of three Professional staff posts	C	Streamlined payment process	Q
Merger of Visa and Privileges and Immunities	C	Improved customer satisfaction	Q
Outsourced translation work	CT	Productivity improvement for payments	C
PROCUREMENT		Treasury Manual	Q
Streamlined vendor management	QT	Faster on-line bank reconciliations	T
Streamlined procurement procedures	QT	BUDGET PREPARATION	
PO generated from PR without retyping	QT	Support for strategic budgeting	Q
On-line tracking of PR status	QT	Integrated budget preparation/submission	Q
Ability to monitor procurement trends	QC	Detailed reports on budget submissions	Q
Reduced paper flow between divisions	QC	Simpler budgeting process	Q
No need for duplicate input	QC	Enhanced reporting capability	Q
Manpower savings	QC	ASSET MANAGEMENT	
TRAVEL AND EXPENSES		Savings on maintenance costs	C
No need for duplicate input	Q	Improved data integrity and controls	Q
Automated accruals	Q	Information available from AP/PO system	Q
Standardized staff/non-staff travel process	Q	Reporting flexibility / information access	Q
Travel Manual	Q	Up-to-date physical inventory information	Q
Faster submission and approval cycle	T	GENERAL LEDGER	
BUDGET DECENTRALIZATION		Timely preparation of financial statements	T
Consistency and accuracy of budget data	Q	Readily available standard financial data	T
Control and decision-making within units	Q	Automated consolidation and translation	T
Activity-based and account code analyses	Q	Automated monthly closing of accounts	Q
Budgets linked to institutional priorities	Q	Accounting best practices and standards	Q
Budget decentralization guidelines	Q	Compliance with audit recommendations	Q
Less time needed for budget reconciliation	QT	Reduced risk of duplicate entries	Q
Improved capacity for real-time reporting	QT	Reduced overtime needed for reporting	C
Transfer of three staff members to FC/Loans	C	Transfer of one staff member to EO	C
INFORMATION TECHNOLOGY		LOANS AND GRANTS	
Internal ERP support	Q	More stable system	Q
Enhanced business support	Q	More accurate historical transaction data	Q
Enhanced user training capability	Q	Automatic loading of exchange rates	Q
Customer service orientation	Q	Improved interface to General Ledger	Q
Partnership development – knowledge-sharing	Q	More flexible billing functionality	Q
Disaster recovery services	TC	Ability to change repayment schedules	Q
HUMAN RESOURCES		Greater suitability for integration	Q
Reduction in payroll preparation costs	C	Faster system response	T
Platform for Human Capital Management	Q	More maintainable system	QC
Human Resources Procedures Manual	Q	CONTRIBUTIONS	
Personal data maintained directly by staff	Q	Consistency and accuracy of data	Q
GLOBAL PAYROLL		Data alignment with General Ledger	Q
Savings > USD 200 000 annually	C	Access to contributions data and reports	T
Savings on payslip printing and delivery	C	Data ready for financial statements	T
Automated payroll for daily temporary staff	C	Contributions Manual	Q
Shorter-cycle end-to-end payroll process	T	No duplication of work across units	QC
More timely payments to temporary staff	T	Reduced manpower requirements	QC
Reduced risk of errors and inconsistencies	Q		

* KEY: Q=Quality; C=Cost savings; T=Timeliness

IV. SCP BUDGET UTILIZATION

Status of Expenditures and Commitments

71. 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.

72. The President of IFAD was authorized by the Governing Council to appropriate the second and subsequent tranches of the said capital budget upon submitting a report to the Executive Board on the use of the previous tranche and upon receiving the approval of the Board for the proposed use of the next tranche.

73. As of the end of the first phase of the SCP, which will close on 31 December 2005, the second tranche of USD 15.5 million approved by the Executive Board in December 2000 will have been fully committed. The major categories of expenditure of the SCP budget for 2005 have been: independent consultants to complete implementation work; hardware and software; training and quality assurance.

74. As reported in the December 2004 progress report (EB 2004/83/R.45), after the departure of the implementation partner, reallocations have been made to address both the changes needed in the various streams of the programme as well as the settlement of the contractual relationship.

75. To maintain consistency of reporting, the table in the annex shows – by expenditure category and using the same format as since December 2003 – the original allocation of USD 15.5 million, reallocations, total expenditures in the period 2001-2004, new commitments in 2005, and the total amount of SCP funds committed at the end of 2005.

76. The SCP implementation activities in 2004 required additional expenditures in 2005 in the amount of USD 1.5 million, which have been absorbed by the concerned departmental budgets to avoid any impact on the SCP budget. The major categories of expenditure for these additional costs have been independent consultants (USD 1.4 million) and training and other expenses (USD 0.1 million).

V. CONCLUSION

77. As Phase I of the SCP draws to a close at the end of this year, there is no doubt that the programme has effected long-lasting change in IFAD's internal processes and in working relationships between organizational units. Many administrative and financial processes in the areas of support services, strategy and finance have been streamlined and refocused on purpose and end results, for a more responsive IFAD.

78. The programme has raised the quality, timeliness and level of control of the various administrative and financial processes, and the services delivered by those processes. It has also permitted IFAD to realize savings by replacing inefficient or obsolete processes and systems. Manual work, for example, in terms of filling out forms, paper distribution and filing has significantly diminished, and in some areas disappeared, thanks to the integrated system.

79. More importantly, the Fund has continued to evolve and develop in multiple dimensions. Through better business practices, the programme has enhanced IFAD's capacity to address new challenges that were not envisaged at the start of the project, such as the Asset Liability Management (ALM) model in the cash management area and the Heavily Indebted Poor Countries (HIPC) Debt Relief Initiative in the accounting area.

80. The SCP has enhanced IFAD's capacity to face and manage change by having a structured approach focused on informing employees of change and making them feel comfortable, prepared and motivated for it. A careful information programme and very intensive training efforts including new courses, refresher courses and orientation sessions have prepared staff for the new ways of working with greater staff awareness and understanding of IFAD processes and greater final quality of the work performed. This way of managing change has also allowed staff to absorb and assimilate a significant amount of concurrent changes in a relatively short time span.

81. Overall, the SCP has prepared IFAD to become a more modern, effective and responsive organization based on more transparent, efficient and better understood business practices. This is supported by working systems, processes and manuals and is reflected in decentralized practices throughout the organization. All this is expected to help IFAD realize further savings by giving it a greater ability to reassign resources to processes with higher institutional priority.

82. An important next step in the strategic change journey is the Action Plan, the implementation of which will include the human capital management suite of modules to assist IFAD in its endeavours to further transform the HR management area.

83. As the first phase of the PRP/SCP comes to an end and with an eye to continuing the journey of strategic change set out by it, the work envisaged for the second phase of the SCP – which referred to impact management, partnership management and product development, as well as the continuation of the knowledge management work initiated in the first phase of the SCP – will now be addressed through the Action Plan.

84. The focus of the "impact management" process was on monitoring, assessing, improving and effectively communicating the impact of IFAD-supported activities on rural poverty. The focus of the "partnership management" process was on improving IFAD's ability to identify strategic partnerships and respond to the challenges of the truly poor, help governments bring about broad-based long-term change and help donors promote pro-poor policy. The focus of the "product development" process was on improving the existing loan management process to make it more efficient, cost-effective and responsive to the needs of the various stakeholders and define a process for the development of new financial products.

85. Strategic changes related to impact management, partnership management and product development – originally outlined in document GC 24/L.9 presented to the Governing Council at the end of the "detailed design" phase of the PRP (February 2001) – have been revisited and reformulated and are now part of the new operating model as defined in Section VI of the Action Plan.

86. In particular, Section VI of the Action Plan, under heading B, indicates that the new operating model will support enhanced impact on the ground, greater sustainability, stronger relevance and higher efficiency of IFAD-supported projects and programmes. Also, the new operating model involves a new results-based country programme approach, with more active country-level engagement, new modalities for supervision and implementation support, constructive partnerships and a more effective framework for managing by results.

87. Similarly, changes related to the external dissemination of knowledge and knowledge generation, envisaged at the end of the "detailed design" phase, have been revisited and reformulated and are now part of the "knowledge management and innovation" concept as defined in Section VI of the Action Plan.

88. Heading C of Section VI of the Action Plan indicates that IFAD will work with partners to build medium-term knowledge development and dissemination partnerships with global and regional centres of excellence. Also, learning notes will be used as a communication tool that brings together

learning and expertise from IFAD and other organizations about key issues for rural poverty reduction.

89. In the light of the above, the PRP/SCP has been closed at the end of its first phase. A separate document being submitted to the December 2005 session of the Executive Board provides details on the content of the Action Plan (document EB 2005/86/R.2/Rev.1) which, as indicated previously, will be covering the implementation of changes initially envisaged to be part of a second phase of the PRP/SCP.

90. The Executive Board, at its Eighty-Sixth Session, reviewed this report, taking note of the completion of Phase I of the PRP/SCP, and, upon approval of the Action Plan set out in document EB 2005/86/R.2/Rev.1, authorized the appropriation of the amount of USD 9.5 million remaining under the Capital Budget of IFAD for a Process Re-Engineering Programme (PRP/SCP) contained in Governing Council Resolution 116/XXIII for implementation of the said Action Plan.

**SCP EXPENDITURES 2001-2005
(USD)**

Category	Total Allocation	Reallocations (2001-2004)	Adjusted Total Allocation	Expenditure 2001-2004	Commitments 2005	Total SCP Funds Committed at end of 2005
Staff replacement	2 870 254	-167 000	2 703 254	2 703 254	0	2 703 254
Consultants	1 573 263	3 786 707	5 359 970	4 699 875	811 918	5 511 793
Cap Gemini Ernst & Young contract	5 780 208	-1 446 666	4 333 542	4 333 542	0	4 333 542
Travel and training	881 038	-451 000	430 038	407 573	22 465	430 038
Other expenses	98 237	-23 000	75 237	71 560	7 871	79 431
Software	2 022 000	-789 041	1 232 959	1 056 528	125 000	1 181 528
Hardware	975 000	390 000	1 365 000	963 418	296 996	1 260 414
Staff separation	1 300 000	-1 300 000	0	0	0	0
TOTAL	15 500 000		15 500 000	14 235 750	1 264 250	15 500 000