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Enabling poor rural people
to overcome poverty

A voluntary separation programme for IFAD 2009–2010

Governing Council — Thirty-second Session
Rome, 18-19 February 2009

For: **Approval**

Note to Governors

This document is submitted for approval by the Governing Council.

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Contents

Abbreviations and acronyms	ii
Recommendation for approval	iii
Summary	1
I. Background	1
II. Rationale	2
III. Funding	4
IV. Implementing the programme	6
V. Monitoring and auditing	7
Attachment	
Draft resolution on the special expenditure for the voluntary separation programme for IFAD for 2009-2010	8

Abbreviations and acronyms

HR	human resources
HRMC	Human Resources Management Committee

Recommendation for approval

The Governing Council is invited to consider and adopt the draft resolution contained in the attachment.

A voluntary separation programme for IFAD 2009–2010

Summary

1. IFAD is changing to meet the new challenges of an expanded programme of work, delivered through an operating model where the focus is on country-led, directly supervised projects and programmes. The external environment is uncertain and ever-changing, and the demands placed on the IFAD workforce are changing with it. In the future, IFAD will need a workforce that is flexible, mobile and has the capacity to learn and respond to the changing environment. Currently IFAD has a low natural turnover. Voluntary separation will be an opportunity to accelerate the turnover, particularly where there is a mismatch between skills, mobility and personal motivation. It is proposed that a voluntary separation programme be funded with IFAD's regular resources.

I. Background

2. IFAD's Action Plan for Improving its Development Effectiveness was approved by the Executive Board in December 2005, and the final progress report was delivered to the Executive Board in December 2007. An assessment of the Action Plan, commissioned in early 2008 by three IFAD Executive Board member countries¹ "provided evidence that the Action Plan is leading to the improvements in IFAD's development effectiveness". However, while the assessment overall was positive, it also identified a number of areas where continuing diligence would be essential, including: (a) maintaining the commitment to organizational reform demonstrated at IFAD; (b) accelerating progress in effectively dealing with human resource management; (c) maintaining and improving staff morale while effectively realigning human resources; (d) strengthening its focus on innovation and strengthening partnerships for innovation; and (e) solidifying and mainstreaming the knowledge management strategy.
3. The need to accelerate progress on human resources (HR) reform is widely acknowledged within IFAD, and strong foundations have already been laid upon which to build: specifically, the work done on identifying and living IFAD's core values, the decision to assess and publish managerial capacity through the 360-degree evaluation, and the commitment to individual performance evaluation that is rigorous and fair.
4. IFAD has now committed to a programme of HR reform that is bold and concrete. The aim of this reform is to optimize the delivery of IFAD's results by having the workforce in the right place at the right time, with the necessary skills and experience. In particular, IFAD needs:
 - More people in partner countries, some hired locally and others working away from Rome headquarters;
 - A greater level of diversity;
 - A greater percentage of the workforce focused on IFAD's core operational activity;
 - Less time spent on transactional activity that adds little value;
 - Improved capacity in risk management;
 - Improved knowledge management;
 - Greater capacity for innovation;
 - Improved advocacy and communication capabilities;

¹ Canada, the Netherlands and Norway.

- Greater capacity to manage partnerships and participate in networks;
 - Flexibility to respond to a fast-changing environment in partner countries and in the global architecture;
 - Better managerial skills.
5. IFAD has also strengthened the leadership and management of the HR function through the recruitment of an experienced HR Director and the creation of the Human Resource Management Committee (HRMC) chaired by the President.
 6. The broad aims of the HR reform were presented to the third session of the Replenishment in July 2008, and an informal Executive Board seminar was held in September 2008. On both occasions the need to accelerate change was identified as critical to overall success. A further issue to emerge from the dialogue with members states and discussion was the importance of diversity in IFAD's workforce, while retaining an absolute commitment to merit-based recruitment. The need to improve diversity adds to the urgency of a programme to accelerate turnover and IFAD's ability to hire, deploy and develop new staff.
 7. To achieve the aims of the HR reform programme, IFAD needs to:
 - Accelerate the change in skills and knowledge;
 - Raise overall staff performance;
 - Improve its ability to deploy staff flexibly to meet changing requirements.
 8. This in turn calls for putting in place four integrated human resource management practices. IFAD needs to:
 - **source** the workforce both directly through employment and indirectly through contracting against a new skills and knowledge profile (new technical skills, for example in climate change; less paper-based administrative work; and both local and international hires to work in developing countries);
 - **deploy** people in different ways, including moving them around the globe and across the organization;
 - **develop** the workforce to sustain IFAD's comparative advantage and deliver its mandate and mission effectively and efficiently;
 - **release** part of the workforce through outward secondment for career development and voluntary separation, and plan for age retirement in a timely way.
 9. Voluntary separation will be an opportunity to accelerate the turnover – particularly where there is a mismatch between skills, mobility and personal motivation of staff.

II. Rationale

What is meant by voluntary separation?

10. Voluntary separation occurs when the contractual employment relationship is ended by mutual agreement. There is no entitlement to voluntary separation. Staff may volunteer and IFAD will decide either to agree to or decline a voluntary separation. If there is an agreement, IFAD makes a payment that is calculated on the basis of length of service and contract type. Such payments can be made to staff on continuous and fixed-term contracts. For staff who are approaching retirement, this can mean an opportunity to retire early.

Why is a voluntary separation programme needed?

11. IFAD's workforce needs to change, both to improve the organization's performance and to be flexible to meet the changing demands and context. Some of that change will occur through age retirement (six in 2009, eight in each of 2010 and 2011) and other people leaving at the end of their contract or through resignation (currently around 14 per annum). However, this amounts to a total natural turnover of only 20, or 4.5 per cent, per annum (table 1). We need to accelerate this rate of turnover by offering the option of voluntary separation.

Table 1
Forecast of turnover 2009-2011 (based on historical trends)

	2009 (est.)	2010 (est.)	2011 (est.)
Number of staff²	443	445	445
Age retirements	6 (1.4%)	8 (1.8%)	8 (1.8%)
Estimated separations	14 (3.2%)	14 (3.1%)	14 (3.1%)
Total	20 (4.5%)	22 (4.9%)	22 (4.9%)

Can IFAD create its own voluntary separation programme?

12. The Agreement Establishing IFAD determines that the President is to organize the staff and appoint and dismiss members of the staff in accordance with the regulations adopted by the Executive Board. Such regulations are contained in the Human Resource Policy and the supporting Human Resources Procedures Manual. Chapter 11 of the manual, which covers separation, provides for the possibility of implementing a voluntary departure programme.

Why is a voluntary programme being proposed?

13. IFAD recognizes the important commitment made by all staff to delivering the organization's objectives. Further change can be delivered in partnership with staff and their representatives. However, for some staff the opportunity to leave IFAD with a suitable compensation package may be an attractive option. The United Nations global staff survey shows that 15 per cent of staff are seriously considering leaving IFAD and that a further 19 per cent are undecided. Some of those staff members must be actively encouraged to stay through enhanced career development; others may want to leave through voluntary separation. This programme is separate from the performance management system now in place.

Why not simply expand the workforce and hire in new people to do the new work?

14. This is not a viable option. As the programme of work expands, the workforce may need to grow somewhat; however, efficiencies are being sought as well.
15. Some existing activities will no longer be required; others will need to be done differently.
16. Much change can be achieved through investment in new skills and ensuring effective knowledge transfer. But some staff currently doing activities that will no longer be required may be unable or unwilling to acquire the new skills needed and may prefer to leave IFAD.

² Staff with contract of one year or more. Hosted entities staff and associate professional officers are not included; unfilled vacant posts are not included.

How have other United Nations organizations and international financial institutions handled the same issue?

17. The World Bank, other international financial institutions and United Nations agencies (e.g. World Food Programme, United Nations Development Programme) have implemented both voluntary and compulsory separation programmes; each has done so in a different context, but the overall strategic intent has been similar: to renew and refresh the workforce to meet changing circumstances.

How many departures would be involved?

18. A budget envelope sufficient to fund between 45 and 50 voluntary separations is being sought. This equates to around 10 to 12 per cent of IFAD staff.

Table 2

Staff turnover with voluntary separation programme 2009–2010

	2009 (est.)	2010 (est.)	Total (est.)
Estimated natural turnover	20 (4.5%)	22 (4.9%)	42
Voluntary separation programme estimated	30 (6.8%)	20 (4.5%)	50
Total turnover	50 (11.3%)	42 (9.4%)	92

What happens if there are too many or too few volunteers?

19. IFAD is committed to a voluntary programme that treats people with dignity and respect, in line with its core values.
20. If there are too many volunteers, the criteria to be determined by the President, in accordance with paragraph 38 below, will be applied to select staff eligible for voluntary separation. There is a risk that some staff who volunteer will be fulfilling roles that are critical to the delivery of IFAD's results. If their expressions of interest are accepted, there will be a need to ensure succession arrangements are in place.
21. If there are too few volunteers, efforts will focus on re-skilling and closer performance management. However, the funds would not be used for any purpose other than separation. Packages offered in 2010 would not be different or more generous than those offered in 2009.

If there are too few volunteers, will IFAD consider a compulsory programme?

22. IFAD has no plans for such a programme.

Will IFAD expect higher levels of performance in the future?

23. Yes. To improve the delivery of results, IFAD will seek continuous improvement in individual, team and development results. All staff will need to not only sustain their skills and knowledge, but also be open to re-skilling and movement within and across teams, divisions and departments. The hiring process for new staff will be explicit about this.

III. Funding

How much will the voluntary separation programme cost?

24. The programme will cost up to US\$5.5 million, calculated on the basis of 50 separations (30 general service and 20 professional staff at mid-grade). This amount includes no more than US\$100,000 to be available to the HR Director to provide additional support at key stages in the programme, including career and outplacement counselling.

Table 3
Estimated cost of separations under the voluntary separation programme

<i>Average grade level</i>	<i>Cost per month of base salary (United States dollars)</i>	<i>Number of months of base salary</i>	<i>Number of staff</i>	<i>Total cost (United States dollars)</i>
P-4	6,600	18	20	2 376 000
G-5	5,500	18	30	2 970 000
Total				5 346 000

Table 4
Overall cost of the voluntary separation programme

	<i>(United States dollars)</i>
Voluntary separation costs	5 346 000
HR staff costs	100 000
Total	5 446 000

Where will the funding come from?

25. The programme will be funded by an authorization from the Governing Council to spend up to US\$5.5 million from IFAD's regular resources during the period of the voluntary separation programme (2009 and 2010). Expenditures under the programme will be accounted for under a special programme line in IFAD's year-end statement of expenditure, as was the case with the Strategic Change Programme and Action Plan.
26. The regular costs of repatriation, return travel and pension-related elements are provided for as part of the standard cost of positions in the administrative budget.
27. The investment of the equivalent of around 0.18 per cent of IFAD's programme of work over the Eighth Replenishment period will have a positive impact on its development results. Failing to accelerate the changes needed in the workforce carries a cost.

Why this source – and not the capital or administrative budgets?

28. The administrative budget funds IFAD's regular day-to-day expenditures and is not designed to finance relatively large one-off items.
29. Other international organizations similar to IFAD that have implemented such schemes have financed them on an extra-budgetary basis (i.e. separately from the regular administrative budget), calling either upon a special fund or general resources. Such organizations include several multilateral financial institutions and United Nations agencies.
30. The creation of an asset, depreciation and its amortization are among the defining elements of a capital budget. Staff separation does not create an asset subject to depreciation, and is therefore not eligible for capital budgeting. The costs of staff separation programmes are not capitalized at any international financial institution or United Nations agency.

Do the costs all fall in the year that expressions of interest are accepted or are there recurring costs?

31. Costs specifically attributable to voluntary separations are one-off and not recurrent.
32. According to the period of service of the staff members involved, they may be eligible for certain continuing benefits (e.g. after service medical, repatriation expenses). Such benefits are independent of the operation of the programme and are funded by regular provisions for that purpose under the staff costs heading of the administrative budget.

How much will each staff member receive?

33. The standard provision for voluntary separation, which will be the point of reference for implementation of the programme, allows for a lump sum equivalent to up to 12 months net base pay (that is, pay net of benefits and post adjustment). In addition, a discretionary amount of between six and 12 months may be paid. Our benchmark study with five other United Nations agencies indicates that 18 months net base pay is the norm. The actual amount is dependent on length of service and net base pay. A P-4 (mid-grade) professional staff member qualifying for 18 months would receive a lump sum of approximately US\$120,000; a G-5 general service staff member would receive approximately US\$100,000. In addition, internationally recruited staff would receive accumulated regular separation benefits such as removal and travel costs to the staff member's declared home country.
34. In addition, each departing staff member will be offered career counselling or outplacement support, and the option for funded training and education to boost their employability.

IV. Implementing the programme

Who will be eligible and what are the selection criteria?

35. The following staff will be eligible to apply;
 - Staff with four or more years of service (staff on loan or secondment to IFAD are excluded, as are short-term contract holders and consultants);
 - General service and professional staff.
36. It is to be reiterated that there is no contractual entitlement to voluntary separation.

Will preference be given to any particular staff group, say professional staff as opposed to general service staff?

37. Not in 2009. However, eligibility criteria may change in 2010 depending on the profile of volunteers in the first cycle and the increasing accuracy of workforce planning.
38. The President will decide the assessment criteria against which each expression of interest will be reviewed with due regard to:
 - Value for money;
 - Equity and transparency (in particular to avoid indirect bias against any specific staff group);
 - The future workforce requirements in relation to skills, knowledge, values and competences.

Will poor performers be targeted?

39. Volunteers will be sought. If too many people volunteer, IFAD will need to prioritize the expressions of interest.

How and who will decide?

40. The terms of the voluntary separation programme will be announced on the intranet. Initial expressions of interest from staff will be made to the HR Director, who will arrange for a quotation of benefits to be given to the staff member. On this basis, the staff member will confirm or withdraw the expression of interest. The initial expression of interest will remain confidential. Only when interest is confirmed will supervisors and managers be fully involved.
41. The HR team will draw on additional professional and support resources at key points in the process.

What happens when a staff member accepts the terms of the voluntary separation programme and is selected?

42. Staff who leave through the voluntary separation programme cannot be rehired as consultants by IFAD for a period of 12 months. The rules of the International Civil Service Commission will apply to taking up employment elsewhere within the United Nations system for those who take early retirement.

V. Monitoring and auditing

How will the scheme be monitored?

43. The voluntary separation programme will be monitored by the Office of Human Resources, in terms of the numbers of staff departing, their functions, their geographical background and gender, and the expenditures incurred. Key data will be reviewed by the HRMC. On an annual basis, in the context of the annual review of the programme of work and budget, financial aspects of the programme will be reported to the Executive Board. The expenditure incurred under the programme will also be reported in the annual financial statements of the Fund, which are subject to external audit. A final report on the financial aspects will be submitted to the Governing Council in February 2011.

Draft resolution on the special expenditure for the voluntary separation programme for IFAD for 2009-2010

Resolution ____/XXXII

Special expenditure for the voluntary separation programme for IFAD for 2009-2010

The Governing Council of IFAD,

Bearing in mind article 6, section 10, of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD,

Noting that, at its _____ Session, the Executive Board endorsed the need for a special expenditure for IFAD's voluntary separation programme for a two-year period,

Having considered the review of the ninety-fifth session of the Executive Board concerning the special expenditure for IFAD's voluntary separation programme for 2009 to 2010 inclusive;

Decides that:

1. The special expenditure in the amount of EUR _____ (US\$ _____, at the exchange rate of _____) to finance the voluntary separation programme for IFAD for a two-year period during financial years 2009 to 2010 inclusive, as contained in document GC 32/L.____ is approved.
2. The President of IFAD is requested to provide a report on the expenditures incurred in respect to the voluntary separation programme annually to the Executive Board and to submit a final report thereon to the Governing Council in February 2011.

