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**IFAD**  
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## **OVERALL STRUCTURE AND COMPONENTS OF IFAD'S OPERATING MODEL**

### **I. INTRODUCTION**

1. **Purpose of this paper.** The paper presents to the Consultation a high-level description of the operating model (i.e. the mode of functioning) that IFAD needs to establish during the Seventh Replenishment period. The development of a new operating model was advocated by the Independent External Evaluation of IFAD (IEE) in the light of the changed rural poverty and official development assistance (ODA) context and the need to increase IFAD's development effectiveness.

### **II. WHY DOES IFAD NEED A NEW OPERATING MODEL?**

2. IFAD was established in 1977 and adopted an operating model that was similar to that used by other international financial institutions. What distinguished IFAD was its mandate: its exclusive focus on agriculture and rural poverty reduction. However, changes have taken place recently in the context in which IFAD operates, at the level of the rural poor as well as at the level of global ODA.

3. **The realities of the rural poor.** The approach to development has evolved from fostering aggregate growth to poverty reduction. It was not until 2000, with the agreement on the Millennium Development Goals (MDGs), that development was equated with poverty reduction. The understanding of poverty itself has evolved from low income to lack of self-esteem, dignity, freedoms and voice, especially for rural people and, among them, women. Increasing income and increasing voice require differentiated approaches. The new understanding of rural poverty calls for a more effective approach to innovation and knowledge management, better programme targeting, increased policy dialogue and a partnership agenda.

4. **The reality of inclusive governance and country ownership.** The current development context is characterized by strong country ownership and leadership in defining national poverty reduction strategies and priority investment programmes. Country-led processes increasingly lead to the empowerment and broad participation of citizens in setting poverty reduction goals, and involve more inclusive processes for defining pro-poor policy choices. Rural poor organizations and community-based organizations are beginning to play a more fundamental role, especially in decentralized government structures. Poverty reduction strategy papers (PRSPs) and the emergence of sector-wide approaches (SWAs) are just two concrete examples of this new country reality.

5. As described in *The Way Forward* (document REPL.VII/2/R.2) and in *IFAD's Role and Focus in Rural Poverty* (document REPL.VII/3/R.2), our goal is enhanced country-level capacity to conceive, plan and implement a broad process of rural change that effectively meets the poverty challenge in a context of international development assistance that empowers poor people and poor countries to formulate and pursue their own solutions.

6. **The changing ODA context.** The current ODA context is characterized by four features:

- (a) increasing ODA trends and growing consciousness of the weight of rural poverty;
- (b) decentralization of most ODA partners (multilateral and bilateral) and emergence of new aid modalities;
- (c) focus on harmonization, alignment and country ownership for increased aid and development effectiveness; and
- (d) deep awareness of the role of new partners: civil society organizations and the private sector.

7. Most donors have **decentralized** their institutional systems to partner countries. Because of their presence in partner countries, donors found themselves in a position to work together locally, which gradually led to the emergence of a range of in-country processes and multi-donor modalities (such as multi-donor trust funds, programme-based approaches, basket funding, sector-wide approaches, etc.). Development cooperation moved from being driven by discontinuous missions of external visiting experts to longer-term, continuous in-country processes. The shift towards a higher policy and institutional focus for aid programmes became possible. The need for attribution of results brought with it a shift towards contributing to results; and accountability for results is becoming more of a joint accountability among ODA partners. Institutional identity and comparative advantage becomes a matter of value added in a broader partnership, with joint accountability. Central in all this is the leadership of partner governments.

8. Concern about **development effectiveness** and aid effectiveness constitutes another contextual change calling for a renewed operating model.

- (a) The Millennium Development Goals represent a consensus on poverty reduction objectives (a prerequisite for effectiveness).
- (b) The Monterrey Consensus has underscored the need for additional resources,<sup>1</sup> for complementarity between resources,<sup>2</sup> for global partnerships and, above all, for

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<sup>1</sup> Recently echoed and enhanced by *Investing in Development* (the "Sachs report") and *Our Common Interest* of the Commission for Africa.

<sup>2</sup> Fiscal resources, domestic financial resources, foreign direct investment, remittances and ODA.

conducive and coherent policies<sup>3</sup> to enhance the effectiveness of available and new resources.

- (c) The Paris Declaration on Aid Effectiveness stressed the need for **donor harmonization** (through common arrangements, simplified procedures and information-sharing), leading to donor-partner **alignment** and **country ownership** (partner countries setting the priorities).
- (d) Finally, the Shanghai Conference on scaling up of effective approaches to poverty reduction highlighted the need for innovation and for scaling up efforts (size and intensity – i.e. policy approaches) if the MDGs are to be reached with reduced transaction costs.

9. The emergence of **civil society organizations and the private sector** as major engines for sustainable development constitutes another important feature of the change context. The current partnership processes that link IFAD to NGOs as well as the recently approved policy paper on private sector development and engagement for rural poverty reduction (document EB 2005/84/R.4/Rev.1) draw attention to the implications for IFAD's operating model. The private sector and NGOs operate with different incentives frameworks and through different business models. Working with these different types of change agents requires different approaches to country programme management; and the increasing number of public-private partnerships in a broad range of sectors constitutes a new feature in IFAD's collaboration with its borrowing Member States.

#### **The IEE and Management's Response**

10. The IEE acknowledged that IFAD was open to far-reaching change, but that full-fledged implementation of some changes was, at times, hampered by inadequate financial, human and management resources. From an operating model perspective, many change efforts have been made on an incremental basis. IFAD now has the benefit of the experience of a number of new initiatives: the Flexible Lending Mechanism pilot, the direct supervision pilot and the field presence pilot.

11. Building on those initiatives and recognizing the nature and intensity of the ODA context, countries' adjustment and donors' response, the need is now clear to pursue a more comprehensive approach, adjusting the institutional model for a closer match with the context, mainstreaming the lessons learned from the pilot initiatives, and internalizing the recently adopted harmonization agenda.

#### **Emerging Features of a New Operating Model**

12. The IEE highlighted that the new operating model must embrace: a country programmatic approach; sharpened strategic selectivity; improved innovation performance; enhanced quality assurance and quality control; institutionalized knowledge management; systematic linkages to policy change and scaling up processes; and broader partnerships in all areas of work.


13. This could be achieved through an operating model based on: stronger country presence with a differentiated approach tailored to the size, nature and status of the country programme; a more hands-on approach in IFAD supervision and implementation support; broader inclusion of stakeholders (in-house and in-country) in country programme management teams; and a stronger results management framework that is driven by horizontal accountability within the country programme management team.

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<sup>3</sup> Especially inclusive trade enabling national, regional and global policies.

14. During the Seventh Replenishment period, IFAD will review and enhance many aspects of its work processes, including its strategic planning and budgeting and its human resource management. **This paper focuses on the operating model as it relates to IFAD's programme activities.**

### Box 1. Required Shift in the Programme Operating Model

Current situation		Desired situation
1. Discrete loans and grants		1. Country programmes consisting of a wide range of products and services (including loans and grants) that are harmonized with partners and aligned with country/government strategies
2. Ad hoc innovations		2. Innovation mainstreamed and leading to replication and scaling up by others
3. Personalized, oral knowledge		3. Systematic evidence-based learning and knowledge sharing
4. Limited policy impact		4. Systematic link to dialogue to improve inclusive pro-poor policy framework
5. Excess of contractual arrangements with formal agreements		5. Managed strategic partnerships for knowledge development, programme development and delivery, quality assurance and policy dialogue
6. Reporting on project performance		6. Managing results for increased development effectiveness
7. Driven by short-term missions, with headquarters-based quality control		7. Process-driven, with country- and partnership-based quality assurance embedded in programme development and management processes and functions; supported by quality control
8. Limited field presence		8. Managed country presence based on inclusive country programme management teams and tailored specifically to the needs of the country programme
9. Vertical institutional structures		9. Horizontal accountability (country programme management team accountability supported with individual accountabilities)
10. Human resource administration		10. Proactive people and performance management
11. Activity-driven resource allocation		11. Alignment of resources with expected results, defined by the strategic priorities

### III. OBJECTIVES AND MAIN ELEMENTS OF THE NEW OPERATING MODEL

#### A. Objectives for a Redesigned Operating Model

15. In its response to the IEE, IFAD's management emphasized that the driving force in the change process should be a strong commitment to **increasing the development effectiveness** of rural poverty eradication efforts. The specific objectives of a redesigned IFAD operating model include:

- (a) **Improving the effectiveness of IFAD's contribution to development results in the area of rural poverty.** For this to happen, IFAD must improve its organizational performance and use its resources to enhance impact further, striving for greater and more sustainable development results. Its institutional objectives would be consistent with country priorities and its operations well targeted. In addition, its operations must lead more systematically to replication or scaling up by the government or other partners; establishing strategic partnerships at the outset of project/country programme design is a crucial step in this direction.
- (b) **Improving IFAD's ability to account for and demonstrate development results.** In an environment where aid agencies are increasingly pressured to demonstrate development results while also competing for resources, IFAD has to be able to demonstrate concrete results on a more systematic and comprehensive basis. IFAD should develop better mechanisms for planning and setting priorities, managing for results, and measuring performance to achieve impact. This will include new and improved ways of managing staff resources, developing and managing partnerships and working with governments.
- (c) **Strengthening IFAD as a learning organization.** IFAD needs to improve its ability to generate and share knowledge about tested and successful approaches to rural poverty reduction and about the specific conditions, aspirations and potentials of the rural poor. IFAD must also be able to be recognized as a successful innovator in its well-defined niche, testing and piloting new approaches for rural poverty reduction while identifying policy domains in need of change and advocating for these changes.
- (d) **Improving IFAD's ability to contribute to advancement of the global development agenda.** Drawing upon the knowledge acquired through its innovative operations and strategic partnerships, IFAD must strive to play a larger role in global dialogue forums and become a more vocal supporter of the rural poor in partnership with others.
- (e) **Improving IFAD's country interface.** In a context where most development agencies have decentralized their operations and developing country governments have taken ownership of the development agenda, IFAD's operations need to be brought closer to country realities.

16. The major elements of change in the new operating model relate to: the **country programme approach**, the **country programme cycle** and the **country programme management team and country presence**.

### **B. Country Programme Approach**

17. The IEE highlighted that the needs of the rural poor, the requirements of the current ODA context and the effectiveness requirements of IFAD now far exceed the Fund's traditional focus on annual approvals and management of projects or even project portfolios. IFAD staff no longer manage simple processes and projects. Complex processes need to be managed for multiple results. The range of products and services offered by IFAD in any country are diverse and need to be mutually supportive: a concept commonly defined as a country programme.

### Box 2. Elements of a Country Programme

- a. A **strategic mix of innovative projects and grant programmes**, with the matching enhancement of a knowledge and policy agenda, replication, scaling up and partnership development goals.
- b. **Rooted in a results-oriented country strategic opportunities paper (COSOP)**. It defines the country strategy pursued by IFAD with a particular government, aligned with the country's strategic priorities for the rural sector and poverty reduction; this country strategy is to be operationalized through a *country programme results framework* with performance-driven scenarios and linked to IFAD's regional strategy and its strategic framework.
- c. **Managing for results**, including the results arising from the COSOP, the results and impact management system (RIMS), policy dialogue (with regard to the performance-based allocation system [PBAS] or other areas) and those to be achieved through multi-tier partnerships (internal and external).
- d. **Managing effective implementation and systematic learning and sharing** of a country programme of ongoing projects and grant-funded programmes through supervision and implementation support, knowledge management and policy dialogue.
- e. **Managing country programme teams** anchored in **country presence** and expertise, working through partnerships and service providers and supported by headquarters-based (resource) teams.
- f. **Providing financial resources** allocated on a managed performance basis (performance-based allocation), country programme results framework plan and, in addition, supplementary funds and initiatives funded under the Initiative for Mainstreaming Innovation (IMI).

18. In most countries, a country programme consists of a wide range of "products" and services, such as rural poverty reduction programmes, policy development, institutional transformation and change processes, learning and knowledge-sharing activities, etc. This wider range of products will change according to country-specific conditions, IFAD's experience and country presence, and will be captured in the results framework of the COSOP.

19. Within this approach, loans and grants will remain central, but they may be formulated as a result of a specific policy development or an innovative learning product.

20. The country programme will be developed and delivered through **partnerships**, most critically with governments and rural poor organizations and development agencies, but also with **service providers**, such as cooperating institutions and centres of excellence, and may be supported by regional programmes.

21. In order to deliver an enhanced and wider range of products, and drawing on the recommendations of the IEE, IFAD needs to **improve essential features of design on which successful implementation depends**. An increasingly critical element is that design should become more of a management tool for implementation. Therefore, the focus of programme design is more on concrete implementation aspects developed in country with in-country stakeholders. The linkage to strengthened **quality assurance** is essential and will need to be extended to include not just the design

process but also all other implementation processes such as supervision, annual programme planning, and mid-term review.

22. **Key principles for the country programme approach.** The country programme approach is underpinned by a number of key principles, such as:

- (a) **Country leadership and working in partnership with others.** The country programme approach entails working within the leadership of the country, with other development partners, in defining the country strategic framework for poverty reduction, emphasizing the rural productivity development focus. IFAD's operations in the country must reflect the strategic directions of the development agenda as defined in the PRSP, national development plans and other relevant poverty reduction plans. At the same time, the approach entails the search for complementarity with other donors, beyond cofinancing partners. A salient consideration for IFAD within this approach is to ensure and support the participation of rural poor organizations, civil society and the private sector and to forge true partnerships with them. Also, the importance of policy and institutions requires IFAD to rethink its programme approach as a complement to the countries' own strategic frameworks.
- (b) **Strategic alignment: IFAD's goals and priorities at the corporate, regional and country level.** Under the new operating model, IFAD's new strategic framework will provide clearer and more focused strategic directions for defining regional and country-level strategies. The objective is for all planned interventions under the new country programme approach to ultimately reflect corporate as well as regional goals and priorities.
- (c) **Innovation leading to replication and scaling up.** Under the new country programme approach, the focus on innovation will be strengthened and more clearly reflected in the country programme. The focus on innovation, which finds its rationale in the need for IFAD to improve its ability to lead more systematically to the replication or scaling up of successfully tested approaches to rural poverty reduction, is also reflected through the establishment of strategic partnerships (e.g. with regional/national centres of excellence). In order to increase potential for replication and scaling up to the extent possible, innovative projects are also planned from the outset with the participation of prospective cofinancing partners.
- (d) **Pro-poor policy development and dialogue.** A country programme should contribute to changing policies in areas vital to the rural poor in such a way as to create a better enabling environment for sustained rural poverty reduction results. Policy dialogue – the process whereby policy change is achieved – then becomes one of IFAD's critical activities at the country level. Under the rubric of contributing to the improvement of the enabling environment for the rural poor, a country programme should: (a) identify key policies, laws and regulations constraining the rural poor in their pursuit of sustainable improvement of their livelihoods; and (b) define and promote a credible process that can lead to positive change, typically in some sort of partnership arrangement.

Under the new operating model, the performance-based allocation system (PBAS) is used as an entry point for identifying key policy areas in need of reform/improvement and for initiating an informed policy dialogue with the government. Policy performance assessments, as recorded in various documents (the rural sector performance assessment of the PBAS, the COSOP and regional strategies) would be fully consistent with one another.

The requirement to engage in policy dialogue does not represent an arbitrary (and high-profile) “addition” to established country programme activities or “project work”, but a systematic attention to policy issues. This requires identification of broad required changes in the policy environment to which IFAD may actively contribute – and the mobilization of the entire set of country operations in pursuit of these required changes. This will also require a change in the orientation of country programme development and implementation to provide a platform for attaining national objectives in the enabling framework for poverty reduction.

- (e) **Flexible products and services.** Where applicable and depending on the country specific conditions and IFAD’s experience in the country, pre-investment activities may be required before loans are provided or may be implemented in parallel to loans. Pre-investment activities may for example include the establishment of innovative partnerships or grant-financing of specific initiatives. In countries with more conducive environments or where IFAD has more experience, a more comprehensive set of products and services may be offered.
- (f) **Partnerships and networking.** To improve its potential and delivery of country programmes and to empower rural people, IFAD needs to develop a more effective partnership and networking system as part of the operating model. This includes different types of partnerships, from local and context-specific initiatives at the community level to country programmes, policies and strategies at the national, regional and global levels.

### C. Country Programme Cycle

23. In order to implement the country programme approach, a new country programme cycle will need to be defined. Some of the elements of change are the following:

24. **Results-oriented COSOP.** Under the new operating model, a country programme strategy constitutes the foundation of a **results-oriented COSOP**, which is central to measuring the effectiveness of the country programme.

25. The results-oriented COSOP defines the proposed direction of a country programme by clearly identifying the rural poverty issues to be addressed in the country and the strategic avenues that IFAD will pursue with the country’s government and other partners in the medium term. The results-oriented COSOP will clearly outline the policy, learning and partnership agenda, and sets performance-based scenarios for development of the country programme. It is supported by a **country programme results management framework**, which spells out multi-annual and annual performance targets, resource requirements and a set of performance indicators.

26. The development of a **results-oriented COSOP** will need to be linked to a country’s strategic framework process (PSRP). It should ensure participation of key stakeholders (e.g. rural poor organizations) and country ownership for the strategy and policy-change agenda. It should articulate the relationship between the PSRP and IFAD’s Strategic Framework and regional strategy.

27. **Results management framework.** The country programme results management framework becomes the basis for an upward cascade of accountability for results, from the country programme to the regional and corporate levels. The **managing-for-results approach** is a three-tier framework<sup>4</sup> that integrates planning, managing and reporting for results:

<sup>4</sup> See the Framework for a Results Management System for IFAD-Supported Country Programmes (document EB 2003/80/R.6/Rev.1).



- (a) **Planning-for-results.** Under the new operating model, the new corporate strategic framework will be the starting point of an essentially **iterative** planning process that cascades down to the country programme level. It will provide strategic directions for regional and country strategic plans and an effective filter for country programme selectivity. In parallel, the performance-based allocation system (PBAS) will continue to allocate resources to country programmes on the basis of performance.
- (b) **Managing-for-results.** The managing-for-results approach aims at promoting accountability for results and learning. Management-for-results activities target two interlinked objectives: (a) assessing IFAD's organizational effectiveness in supporting programmes, and (b) assessing IFAD's development effectiveness at any given point of the project and country programme cycles. The managing-for-results framework closely reflects the planning-for-results framework: at all levels; strategic planning documents are translated into programmatic documents (e.g. annual programme of work and budget) that include specific annual qualitative and quantitative targets, performance indicators and budget items, and that serve as a basis for monitoring organizational and development effectiveness.
- (c) **Accounting-for-results.** This function is fulfilled through self-reporting on development results on the one hand, and external and independent evaluation of development results on the other. The self-assessment function is performed through the preparation of annual reports that reflect on development effectiveness, i.e. the extent to which yearly targets have been effectively met within the agreed-upon budget, and self-assessed development results. The independent Office of Evaluation reports on outcomes of selected country programmes and on regional and thematic evaluation processes through its Annual Report on Results and Impact (ARRI). This report embodies the independent institutional accountability for development effectiveness and enhances institutional learning in order to improve the performance of future operations and policies.

28. **Programme supervision and implementation support.** To improve its contribution to sustainable development results, IFAD would put much greater emphasis on **programme implementation** than in the past. Supervision (by IFAD or cooperating institutions) and implementation support are key instruments for managing for results. Their effectiveness, however, has been curtailed because they have not been integrated within a comprehensive programme approach, and because of deficiencies in the accountability framework.

29. There is a distinction between core supervision requirements and implementation support:

- (a) **Core supervision requirements** are common to all projects, and relate to prudent loan administration and effective project management. Activities are resourced with a core budget agreed upon with cooperating institutions in a longer-term framework, in the context of **institutional strategic partnership**, and for a broad range of projects. This allows cooperating institutions to support their partnership with IFAD through a core organizational set-up based on a reliable longer-term business plan.
- (b) **Implementation support requirements** are country-, project-, context- and time-specific services. They may change annually in terms of volume, content and resource allocations. IFAD itself is providing a large share of implementation support services from its budget resources or through regional technical assistance grants. IFAD also purchases these services from cooperating institutions and other organizations that have the necessary specific expertise to cover specific implementation support requirements based on institutional capacities. This enhances IFAD's capacity to do business with other organizations and other types of institutions, thereby widening its strategic partnerships.

30. Under the new operating model, supervision and implementation support must relate to the country programme in its entirety and address all its dimensions. To support this, IFAD will pursue a combination of technical assistance, country grants for capacity-building, country presence, core supervision and enhanced implementation support, all managed by the country programme management team. This will require, inter alia, a change in the mindset of all supervision stakeholders, a change in the nature of the contractual relationship that binds IFAD with its cooperating institutions, a diversification of supervision agencies (cooperating institutions) from the current limitation to international financial institutions, the establishment of clear lines of accountability for results between supervision stakeholders, including the government, and the introduction of more results-oriented assessment tools to monitor supervision stakeholders' performance.

31. Capitalizing on the lessons learned from current supervision arrangements and practices and drawing on conclusions of recent corporate supervision evaluations, future IFAD supervision arrangements must be based on a differentiated approach that responds to country- and programme-specific requirements and situations. Three differentiated supervision arrangements are suggested:

- (a) **Supervision by contracted cooperating institutions** (defined to include reputable local/national, regional and international agencies/organizations) under significantly improved terms and conditions, and comprehensive coverage of implementation issues in all countries with relatively large portfolios where IFAD has no, or limited, field presence. This will remain the majority option for supervision.
- (b) **Supervision by IFAD**, led by country programme managers through in-country presence, of programmes in countries in which the Fund has an established, relatively strong presence with established country teams – or plans for the establishment of such presence as articulated in COSOPs.
- (c) **Supervision directly by IFAD's** country programme manager in countries with relatively small portfolios, relatively small-size countries and fragile states emerging from conflict or natural disaster. This supervision will be performed under improved conditions in terms of significantly enhanced training and skills development/upgrading and in-house capacity for loan administration and procurement.

32. **Learning and sharing knowledge.** Learning is a fundamental function of the new operating model and it is an integral part of country programme activities. The learning agenda is defined as of the COSOP development stage, in close cooperation with the government and other partners. It is enriched throughout the country programme cycle. Enhancing knowledge management practices will entail strengthening knowledge management processes at the country level (country teams employing effective monitoring and evaluation procedures, establishing strategic partnerships, etc.) and within IFAD's headquarters (interdepartmental processes for knowledge generation, country design team drawing on documentation of lessons learned, etc.).

33. At the country level, knowledge is shared with the government and other development partners so as to contribute to the advancement of the national development agenda. Internally, knowledge generated at the country level is shared and scaled-up within and across regional divisions. At the corporate level, learning and sharing knowledge emphasize interdivisional contacts, thematic knowledge management and external networking with other resource organizations engaged in rural development.

34. The independent Office of Evaluation – with its approved methodology – is an integral part of this corporate learning system, as reflected in the importance attached to the ARRI and all the

evaluation products supported by agreements at completion point. The country programme evaluations (CPEs) will be especially useful learning tools.

35. IFAD will develop further and draw heavily on knowledge partnerships to catalyse knowledge development on rural poverty reduction (at all three levels). In synthesis, this should achieve the “outward-oriented, network-based approach to knowledge management” flagged in the IFAD Management response to the IEE.

36. **Quality assurance.** The new ODA context and the reality of continuous in-country multi-donor processes (versus external short-term missions) call for a review of IFAD’s existing quality control and assurance approaches. The nature of changes envisaged include the need to promote flexible, essential design, encourage greater support during programme implementation, and link quality assurance to in-country processes.

37. Quality assurance for flexible essential design would be supported by: strengthening and further focusing the design document, with the key file as the centrepiece; generating lessons from country programmes to improve future design and implementation; developing policies, learning notes and procedures based on knowledge and experience from country programmes; initiating the country programme management team concept (with adequate resources); interacting with knowledge management processes (both geographical and thematic); and bridging quality assurance from design into implementation.

38. Quality assurance for better implementation support may be achieved by: linking more proactively with key in-country partners through strategic partnerships, country presence, and project development and implementation partnerships; redefining the role of cooperating institutions and supervision; incorporating more and better “learning” features in country programmes, project monitoring and evaluation, portfolio management (self-evaluation), RIMS and associated knowledge management; increasing participation of IFAD staff (headquarters and field presence with project/programme implementing units) during key redesign points, particularly mid-term reviews and annual workplan and budget sessions; and playing a catalytic role, underscoring the importance of impact achievement, to influence policies.

39. **A new accountability framework.** In the context of the new country programme approach, the accountability framework can be defined as “an understanding between all partners in programme delivery as to what they aim to achieve, how they will work together to achieve it and how they will measure and report on outcomes”. It should rest on a set of guiding principles including openness and transparency, consistency, comparability and comprehensiveness. It should generally consist of a number of crucial elements including: a clear articulation of the institution's mission, objectives and expected measurable results in a coherent hierarchical order; appropriate staff capabilities to assume accountability; adequate monitoring and quality assurance measures at entry and during implementation; and a clear definition of roles and responsibilities with matching authorities.

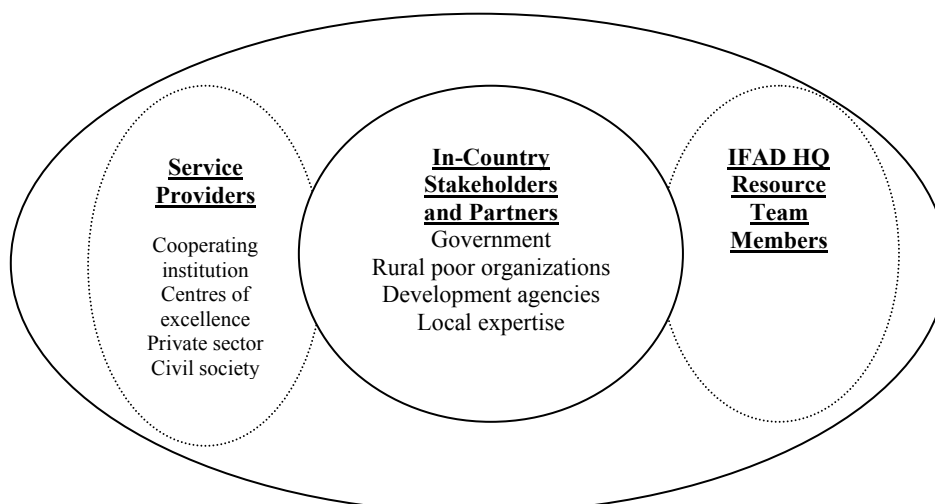
40. Within IFAD’s corporate structure, corporate level accountability (self-evaluation) will be linked coherently with departmental, divisional and staff accountability and ultimately accountability at the country programme level. IFAD’s corporate accountability framework will also include the mechanism of independent evaluation by the Office of Evaluation, which encompasses performance of the country programme and IFAD, as well as of borrowers and cooperating institutions. It will equally include IFAD’s disclosure and oversight policies. The accountability framework will be multi-tier: vertically at the individual, divisional, departmental and corporate levels; and transversally within the country programme management team. The Programme Management Department management team’s accountability statement constitutes a prototype for this approach.

### D. Country Programme Management and Country Presence

41. **Country programme management.** The idea that a complex country programme could be offered cost-effectively and at the quality required, by the country programme manager (CPM) alone or in the context of the current limited project development team, is unrealistic and even undesirable from the perspective of ownership, partnership and scaling up.

42. Such wide-ranging programme components as policy, innovation, learning, results and impact, quality assurance or loan administration require IFAD to harness all productive forces into a country programme management team (CPMT). Its focus must be in the country, around the key local stakeholders and partners (the currently-virtual IFAD), who must be more proactively supported by service providers and headquarters-based resource teams, all of them being managed for team-based results by the country programme manager. This implies formal shared responsibility for country programme results.

**Figure 1. Country Programme Management Team (CPMT)**



43. The main functions to be fulfilled by the CPMT follow the country programme cycle and include: strategic planning, programmatic planning, loan and grant administration, implementation, monitoring and evaluation, learning, knowledge sharing, fostering of scaling up and replication, and advocating policy changes. There is a need to harness all resources within a unified, yet flexible, structure.

44. The composition of the CPMT will vary, with different members being active at different points in time, reflecting the country-specific context as well as the country programme cycle. The composition of the CPMT and the roles and responsibilities of different actors and direct stakeholders are to be made formal (e.g. described in staff job descriptions, interdivisional/departmental agreements, service providers' contracts), so as to ensure joint responsibility.

45. The identification of concrete inputs and outputs at each stage of the country programme management cycle through a thorough functional analysis will be the basis for determining a horizontal accountability line. CPMs will be made more formally accountable for the smooth coordination of all members in the team and for establishing the required interface with in-country stakeholders. The functional analysis will guide the engagement of individual actors in the team. This becomes the basis for a staff development strategy and the annual performance planning and evaluation processes.

46. Headquarters team members will be drawn from across IFAD and play a vital role in contributing to all aspects of programme delivery through functional expertise and in support of knowledge management and global linkages.

47. **Enhanced country presence.** As recommended by the IEE, to improve its performance, IFAD must address one of the fundamental weaknesses in the way it operates: **the headquarters-to-field relationship.** IFAD's current organizational structure – heavily centralized, with no systematic, in-country representation – represents a serious bottleneck for IFAD's future efforts to improve its development effectiveness, establish strategic partnerships and improve policy impact.

48. The current development agenda emphasizes country leadership, harmonization and donor alignment. Most international development agencies have adopted a decentralized structure. For IFAD to deliver effectively, it must be less isolated from its key stakeholders and partners.

49. The rationale for an increased country presence has been presented in great detail in document EB 2003.80/R.4 on the Field Presence Pilot Programme (FPPP). Although the FPPP initiative has yet to be evaluated (the evaluation will take place during the fourth quarter of 2006), improving IFAD's country presence means first and foremost moving away from the current consultant-mission engagement model and delegating responsibilities, authority and resources to an in-country structure in an enhanced country presence mode. The country presence may be further strengthened by a regional presence, rooted in thematic programmes (e.g. the Latin America and Caribbean experience) financed by IFAD through strategic partnerships with centres of excellence.

50. The challenge for IFAD lies in how to enhance the in-country element of its country programme management, in a cost-effective manner, while ensuring participation of the rural poor, ownership of the strategy and the programme by country authorities, effective partnership with other in-country stakeholders, a strategic alliance with service providers (for example, cooperating institutions) and accountability for results by country team members located inside and outside the country.

51. IFAD will need a variety of options that enable a much stronger and continuous involvement in country-based processes and decision-making. The options must allow for **limited**

**decentralization in many countries** but more extensive decentralization in a limited number of countries where it is warranted.

52. A country-based CPM would be one of these enhanced country presence options. Some CPMs would be located in countries with large country programmes or where they manage several countries with small portfolios. Because of the difference in the scope, nature and maturity of country programmes as well as the domestic resource base, country presence would adopt “variable geometry” tailored to country programme requirements.

#### IV. CHANGE APPROACH, DELIVERY STRATEGY AND RESOURCE IMPLICATIONS

53. **Holistic change approach and delivery strategy.** In making improvements to the existing operating model, past efforts were often based on an incremental change approach – “add on a new feature”. For example, in 1998 the COSOP was introduced to provide a more strategic approach to the project cycle; in 1997 the direct supervision pilot was launched for 15 projects to test IFAD’s own supervision capabilities and improve the learning loop; and most recently the field presence pilot was launched for 15 countries to improve knowledge management, partnership-building, policy dialogue and implementation support.

54. The new operating model is to be developed based on a holistic change approach, taking into account all the aspects of the model for change. The changes to the operating model will be implemented through a phased delivery, mainstreaming critical elements, but tailored to the specific characteristics of the country programme, country capacities and IFAD expertise on the country, and level of partnerships. It would not be effective to adopt a one-size-fits-all approach.

#### Resource Implications

55. As indicated in the Management response to the IEE, the delivery of the changes to the operating model will require additional and adequate levels of financial, human and management resources.

56. **Human resources.** The proposed changes to the operating model will require better management of staff and performance, a process which has been initiated with proposed human resources reform (for example, management development centre, building of necessary competencies). The new operating model requires a comprehensive human resources management agenda that encompasses: new competencies, a new accountability management framework, career development, incentive systems, proactive human resources management and improved management skills for all managers. IFAD needs to adapt to diverse and changing external requirements by continuously developing organizational capability, improving performance by empowering staff, stimulating their creativity, rewarding risks and innovation, and investing in continuous improvement through knowledge-sharing and training.

57. The new Human Resources Policy is part of a framework to transform IFAD into a twenty-first century organization – an organization in which the principles of openness, transparency and accountability are embedded in the culture and where performance is driven by values and based on competencies. It recognizes people as IFAD’s most important knowledge resource and acknowledges the link between good human resources management and delivery of programme results.

58. The main human resource implications of the new operating model are: the need for a change in the CPM competency profile and the associated training requirements; an accelerated human resource development strategy; and the integrated results-focused human resource management framework mentioned above.

59. Clearly, the complexity of country programme management requires a highly competent and multi-talented person. The CPM should be at the top end of IFAD's core competency requirements. An accelerated action plan is needed to develop current staff into even more competent people and to identify new staff that fit the competency requirements. It also includes the identification and integration of appropriately skilled in-country people. The establishment of an Associate Professional Officers programme for nationals from developing countries may be an important part of the strategy to develop a larger cadre of competent field officers.

60. **Financial resources.** The IEE has indicated that IFAD must ensure adequate resources are available for initiating and sustaining change. The financial resource implications are: (a) one-time costs to implement the change; and (b) recurrent costs as well as funds for future investments.

61. One-time costs relate to the development of detailed work systems, guidelines, rules and regulations for the new operating model. They will be worked out once a basic agreement has been reached on the direction of the new operating model.

62. There is also a clear need to adequately resource the country programme approach, underpinned by better country presence. The new operating model will require a net increase in staff to deliver the country programmes necessary to ensure greater development effectiveness.

#### V. NEXT STEP

63. Proposals for the development and delivery of a new operating model will be part of the action plan for Management's response to the IEE that will be submitted to the Executive Board in September 2005.