

Executive Board, September 2007

**Introductory Statement by the
Executive Director of the Action Plan**

Progress Report on the Action Plan

(please check against delivery)

Thank you very much, Lennart.

The main focus of my progress report today will be a review of the work that we've been doing in each of the three Action Plan working groups over the past five months. I will talk about the individual deliverables we've been preparing; I will explain how the different elements of the Action Plan fit together in a consistent and coherent manner; and I will give some indications of how the deliverables have been mainstreamed into our day-to-day work. If the report seems a bit long, it is because I want to do justice to the substantial progress we've been making.

Before I do that though, I want to start with a brief discussion on two cross-cutting themes that contribute to setting the *context* for the Action Plan deliverables: **IFAD's institutional culture**, and the **Management for Development Results** agenda.

All experience as well as management literature make it clear that a prerequisite for internalizing and sustaining organizational change is having an enabling **institutional culture**.

This lesson is one we've taken on board. A major priority for us under the Action Plan is to ensure that we have an institutional culture that can internalize and sustain the change agenda that we're pursuing. One key initiative in this area has been to develop an explicit statement of IFAD's values. Over the past few months, Management and staff have participated in a process – including, interviews, staff surveys and focus groups – to define IFAD's core values and the kinds of behaviour that go with them. Focus on results, integrity, professionalism, respect: staff have identified these values as being of most importance to them and the organization.

These values and the corresponding monitorable behaviour have been posted on the website, and they are also shown in the exhibit near the main entrance. We are now planning to review our internal processes and systems, to ensure that they are all consistent with the values and behaviour. Ultimately, all of us will be expected to live up to the values, and we will be held accountable for doing so.

I now want to turn to the issue of **Management for Development Results**, which – as you know – is a key element of IFAD's overall approach to achieving our development effectiveness. It's underpinned by three principles. The first is the definition of a clear set of corporate strategic priorities. The second is the alignment of resources, processes, systems and individual responsibilities with those priorities. And the third is proactive planning, monitoring and assessment of performance against the achievement of those strategic priorities, and the use of that information for decision-making and learning.

For me, one of the key features of the Action Plan, and one of its greatest benefits so far, has been its contribution to that agenda. It's enabled us to define our corporate strategic priorities – and set them out in the Strategic Framework and its hierarchy of development objectives; and all of the deliverables that we've been working on are geared towards achieving these priorities, and to assessing the extent to which we are doing so.

But more than that, the Action Plan has enabled us to introduce a notion of coherence and consistency in our internal systems, processes and initiatives. They all reinforce each other, and keep us focused on the same set of issues.

I now want to talk in more detail about the work we've been doing under the Action Plan; but I will keep coming back to the issues of focus, of alignment and of consistency. I'm going to talk about the three broad areas of the Action Plan: Country-level engagement; Knowledge management and innovation; and Organizational effectiveness and human resources management.

- (a) **Let me start with country-level engagement.** When we first came to you with a proposal for an Action Plan, we referred to establishing a New Operating Model. Since then, we have been working to develop the various elements of the New Operating Model. What I want to do now is to present to you all of those elements and show you how they all fit together.

In broad terms, the New Operating Model represents an aggregation – and more important, an integration – of all those new tools and organizational processes that are aimed directly at improving the development effectiveness of our country-level operations. Its starting point is the Strategic Framework; and all the tools and processes that make up the New Operating Model aim explicitly at ensuring that IFAD operations are aligned with, and focused on, achieving the strategic priorities defined there. They are all linked, one to another.

So what are the tools and processes that make it up?

First, we have the new **results-based country strategic opportunities programme (COSOP)** that you approved last September, and the guidelines that have been developed to assist country programme managers (CPMs) and country teams in operationalizing it. The results-based COSOP defines a coherent country programme, jointly owned by IFAD and the member country, and aimed at achieving a limited number of objectives derived from the Strategic Framework. It includes a country-level results measurement framework, with monitorable indicators; and it requires regular reporting on progress achieved. Including those to be presented to you at this EB session, we have so far prepared ten results-based COSOPs.

Second, we have a **new project design process**, currently being developed and piloted in the Programme Management Department (PMD). It will enable IFAD to respond effectively to its commitments under the Paris Declaration on Aid Effectiveness. It will ensure that the projects it supports are aligned with IFAD's strategic priorities and development objectives. Above all, it will represent a cost-effective way of enhancing project quality at entry.

Third, we have a new **Quality Enhancement system**. This system, which is now largely operational, adds value to the project design process through a series of in-country and in-house forums. Formal project review is carried out by a Technical Review Committee – or TRC – panel. It provides a forum for open and frank engagement on the project design, involving the country programme manager and expert reviewers from both within and outside IFAD. A series of Key Success Factors, derived from the Strategic Framework, provides the basis for the discussion and the assessment of project quality.

We wanted to get the Quality Enhancement (QE) system right before finalizing the Quality Assurance system. We've now done that: to date more than 20 projects have been reviewed by the new TRC Panels. So we're now working on the *fourth* element of the New Operating Model: the **Quality Assurance system**. It's going to be overseen by the Office of the Vice-President, and it will conduct independent assessments of quality for projects. Its assessments will be based on the same Key Success Factors as the QE system.

Fifth, we have a **new supervision policy**, which allows IFAD to supervise the projects we finance. By the end of this Executive Board meeting we expect to have taken on direct supervision for 65 projects. Meanwhile, we've been building our capacity to carry out supervision. We have recruited a number of staff with specialist expertise and we are recruiting more CPMs; we've developed supervision guidelines for all involved staff; and we have started on a major staff training programme. The guidelines define new requirements for supervision reporting, and we will be using the supervision reports to provide data that will be feeding into our divisional and corporate reporting systems.

Sixth, we are more actively **sharing knowledge** and in-house experience on good practice at the country level. We have established a WIKI – web-based platform for sharing experience – and CPMs are starting to contribute the lessons they have learned. Our knowledge management strategy, which I will talk about in a moment, supports that process.

Seventh, we have been listening to the findings of the independent Office of Evaluation (OE) on the **Field Presence Pilot Programme**. OE is in no doubt that country presence is critical for enhancing our development effectiveness. Management agrees.

It enables IFAD to strengthen its implementation support to projects; to better establish in-country partnerships; to engage more effectively in policy dialogue; and to better innovate and manage knowledge. Put another way, it is an absolute necessity if we are fully to live up to our commitments under the Paris Declaration on Aid Effectiveness; it will also help us work more closely with other agencies in the "One UN" Pilots.

As the agreement at completion point makes clear, management is in agreement with OE's recommendations, and – subject to your endorsement – we are planning to move forward – carefully, slowly and, above all, within our agreed budgetary framework – to expand our country presence.

Eighth and last, the systems we are developing for monitoring and assessing the performance of our country programmes and projects represent a key element of the New Operating Model. At its heart will be the **Results Measurement Framework**, which you will shortly be reviewing.

- (b) **I now want to move to the second area of the Action Plan: knowledge management and innovation.** We believe that effective knowledge management and innovation are prerequisites for IFAD to achieve its vision. As you all know, both issues are reflected in the Strategic Framework, as principles of engagement for IFAD at the country level. This means that both of them not only are reflected in all of the tools and processes associated with the New Operating Model that I have just described, but also are fed into the organization's results measurement system.

In April of this year you approved the **knowledge management strategy**, and over the past few months our attention has turned to operationalizing it. While we're still at an early stage, good progress has been made. Implementation arrangements, roles and responsibilities have been discussed, and a draft implementation matrix has been prepared. Guidelines for mainstreaming knowledge management into the results-based COSOPs and supervision processes have been drafted. A knowledge management tool kit has been prepared. Knowledge management competencies have been drafted, for inclusion in human resources processes.

And we are also currently finalizing proposals for a process for developing, applying and monitoring IFAD policies – specifically as a way of more systematically organizing and using IFAD's knowledge.

In a few minutes you will be reviewing the **innovation strategy**. Back in April, and then again in June, we held two informal Executive Board seminars to discuss the direction of the paper and review an early draft. We found your various comments and observations extremely helpful, and the paper that we will shortly be discussing has been much enriched by your inputs.

At this juncture, I want to make one point on these two interlinked strategies. Neither of them stands alone: both of them are rooted in IFAD's country programmes and projects. Both add value to what IFAD is already doing; and neither seeks to introduce new agendas to IFAD's work.

- (c) **Improved development effectiveness is in large part dependent on IFAD improving its organizational effectiveness. This is the remit of the third working group.** The group is addressing two broad areas: IFAD's measurement and reporting systems; and improved human resources management.

Let me start with the measurement and reporting systems. Yesterday, you had an opportunity to comment on the proposed format for the report on development effectiveness. As those of you who were able to participate in the session will have realized, much work has already gone into defining what should go into the report. More work will go into it – and your comments will be of much help as we move forward.

For those of you who were not here yesterday, let me say briefly that the Report's main purpose will be to review IFAD's performance, in terms of both its development effectiveness – its programmes and projects, and its organizational effectiveness, all within the broader context that IFAD operates in.

The assessment will in part be retrospective – looking at past performance or performance of the portfolio at exit. It will in part be current – reviewing the at-entry and open portfolio, and ongoing policy and partnership initiatives. And it will in part be forward-looking – describing the key lessons learned and management actions being implemented to improve future performance and development effectiveness.

It will be a synthetic report, and in its coverage it will draw upon other already existing reports, such as the annual report on results and impact of IFAD operations (ARRI) produced by OE, the Portfolio Performance Report, the Corporate Planning and Performance Management System, and – for 2007 – the progress reports of the Action Plan.

Let me now move to the critical issue of **human resources management** and summarize what we have done to date.

Over the past few months, we have been developing a strengthened agenda for human resources (HR) management. It is an agenda built around three main priorities. The first is to develop and manage a high performance workforce, by ensuring that all major actions relative to our human resources – recruitment, contracts, performance management, promotions, etc. – are managed more strategically and more effectively. The second is to build the capacity of middle-level managers and supervisors to better manage their human resources. And the third area, which serves to support the other two, is to develop a more modern,

professional Human Resources Division – and here we are looking at its role, its structure and its services.

These three broad priorities have given us the basis to come up with a more ambitious set of deliverables.

Some of the key ones include establishing a Human Resources Strategic Management Committee, chaired by the President; setting up a system for quarterly HR reporting to Senior Management; defining a corporate career and skills strategy; establishing a staff rotation policy; and developing and agreeing on divisional-level staffing plans.

Activities we've already embarked on include: a first induction course for new staff; web-based competency assessment and 360 degree performance review; a training programme for mid-level managers; and improving the staff recruitment process.

The HR agenda is critical for the success of the Action Plan. That's why we have strengthened the management of FH – the Human Resources Division, and as you may have seen, we recently advertised for a new Director of the Division. We are looking for a Director who will lead the HR change programme and will strengthen the capacity of the Division to run effective services and contribute to the achievement of IFAD's mission.

I have now completed the main part of my progress report. Before concluding though, I need to pick up one loose thread.

I would like to come back to an issue raised in September of last year: our commitment to reassess the new format of President's Reports for projects. We've had an in-house review of the format, and we actually believe it represents an improvement over the old, for three reasons. The first is that the new report format is cheaper: we use less paper, less translators. We estimate that we are saving about US\$ 125,000 per year. The second is that while the new format is shorter, it is more focused on the institutional and reputational issues that we would expect the Board to be most interested in. At the same time though, substantial operational and technical detail is also freely available to all of you, since all appraisal reports and key files are now posted on the website prior to Board presentation. And the third is that our in-country consultation mechanisms are considerably stronger than in the past: our CPMs are expected to fully discuss proposed project designs with the appropriate development partners' working groups.

Now that represents our view. We also want to hear your ideas on the new format – or indeed the appraisal report, and we are certainly happy to discuss the matter further.

To conclude, I'd like to draw your attention to what a demanding exercise the Action Plan is. The work that all our managers and many of our staff are putting into the Action Plan – over and above their day jobs – is substantial. We are being stretched. We are making hard choices.

But I believe we're rising to the challenge. I am personally very proud of what we have achieved so far, not only in terms of the deliverables we've presented, but also – and increasingly – in terms of how these have contributed to the way we do business, and have been mainstreamed into our day-to-day work.

I believe that we have already made major strides forward in improving our organizational effectiveness. I believe too that those improvements are gradually starting to have a bearing on our development effectiveness. And I look forward to the Results Measurement Framework getting up and running, so that instead of saying 'I believe' I will be able to say 'the data shows'.

I want to finish my remarks by looking forward. In the coming month we plan to schedule a joint learning event with the African Development Bank, who are engaged in a similar organizational transformation exercise. We're also starting to think about life after the Action Plan.

We are mainstreaming the new processes and tools into the every-day business of the line units, and we are thinking about how we prevent any possibility of backsliding into old ways of doing things. It requires making significant efforts to consult, motivate, build trust, explain and communicate. It also demands that we establish management systems and forums that will maintain the *focus* on our strategic priorities, ensure the *alignment* of the tools and processes with our priorities, and support *consistency* across the organization.

We need your continued strong support.

That brings my progress report to an end. Let us now move straight into the first of the Action Plan deliverables: the Results Measurement Framework.