

VISION. ACTION. IMPACT.

IFAD's Action Plan
to Improve its Development
Effectiveness

June 2008



Enabling poor rural people
to overcome poverty

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IFAD's Action Plan to Improve its Development Effectiveness

Since 2006, IFAD has been implementing an Action Plan to improve its development effectiveness. This document provides information on our approach to reform, results achieved and future challenges. For a more detailed report on Action Plan progress, visit www.ifad.org/actionplan/progress/index.htm.

June 2008

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IFAD's Action Plan

Why are we implementing an Action Plan?

The world has changed since IFAD was founded 30 years ago. In addition to life-threatening poverty, poor rural people today face new, daunting and unpredictable challenges like climate change and rising food prices. But one thing hasn't changed: Poverty is still predominantly rural. Seventy-five per cent of the world's poorest people live in rural areas and depend on agriculture to survive: 720 million poor children, women and men.

To be more effective in the fight against rural poverty, over the past two and a half years IFAD has been implementing a series of major reforms, guided by our Action Plan for Improving its Development Effectiveness.

Development effectiveness refers to the final outcomes or results to which aid agencies contribute. At IFAD we are concerned with contributing to country-level outcomes for rural poverty reduction, and we think of our development effectiveness in terms of three kinds of performance:

- The outputs and outcomes of IFAD country programmes and the projects we support, defined in terms of the organization's strategic objectives
- Our operational effectiveness: the results, impact and sustainability in the communities where we work
- Our organizational effectiveness: how efficiently we conduct our business

IFAD's Action Plan for Improving its Development Effectiveness embraces the recommendations of the 2005 Independent External Evaluation of IFAD, the views of our Executive Board on change priorities, and IFAD management's own recommendations on ways to improve how IFAD does business. Through the action plan we have been:

- strengthening our capacity to manage for development results
- enhancing the quality, performance and impact of projects and our country programmes
- strengthening our strategic planning and guidance
- improving our capacity to innovate and manage the knowledge gained
- improving human resource alignment and management
- improving our administrative efficiency
- building a results-driven, values-based, enabling corporate culture

What are our targets?

Under the Action Plan, we're aiming to achieve or surpass three key targets by 2009:

Relevance 100%

By 2009, 100% of IFAD projects will have a high or substantial degree of congruence with country development strategies and priorities

Effectiveness 80%

By 2009, at least 80% of IFAD projects will achieve their development objectives

Efficiency 60% or more

By 2009, 60% or more of IFAD projects will have a high or substantial level of efficiency



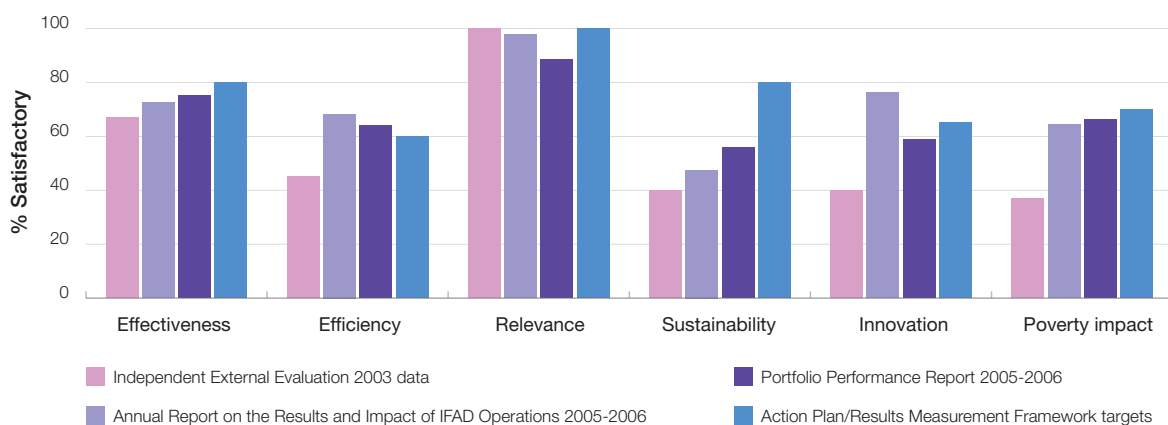
Are we improving our performance?

Early results as shown in Figure 1 indicate that the quality of our projects is improving and that we are broadly on track to meet our Action Plan targets. This chart shows the percentage of IFAD-funded projects assessed as having satisfactory performance in five impact domains (effectiveness, efficiency, relevance, sustainability and poverty impact), and it compares the results achieved in 2005 and 2006 with those reported in the 2003 Independent External Evaluation (IEE) and the targets of both the Action Plan and IFAD's Results Measurement Framework (RMF).

Compared with 2003 data, we see a substantial improvement in IFAD's project performance. Project relevance continues to be high. Project effectiveness, rural poverty impact and innovation are all improving and we're on track to meet our targets. Sustainability of benefits is also improving, but we need to accelerate progress; and as a result, we are giving it special attention at all stages of the project cycle. Overall, our independent Office of Evaluation found that 80 per cent of projects evaluated in 2006 were satisfactory for overall performance. It is worth noting that these results are achieved in some of the most remote and marginalized areas of the world.

According to the 2006 Survey on Monitoring the Paris Declaration on Aid Effectiveness, undertaken by OECD-DAC, IFAD is also performing well on most of the commitments of the Declaration. Indeed, in many cases its performance is better than comparable organizations.

Figure 1
IFAD-funded project performance against Independent External Evaluation baseline data of 2003 and Action Plan and Results Management Framework targets



- Paris Declaration on Aid Effectiveness
- UN reform
- Independent External Evaluation
- Country leadership
- Climate change
- MDG's



2006

IFAD's Strategic Framework 2007-2010



Results measurement framework

Sustainability

What is our approach to reform?

Successfully reforming organizations is difficult. In IFAD's case, we faced the daunting challenge of improving the quality of our projects, while at the same time expanding our lending programme. Today we are cautiously optimistic that we are meeting that challenge. The keys to our progress so far have been flexibility, leadership, the support of our Executive Board, and an extraordinary effort by the IFAD staff members.

Flexibility: Learning by doing

The Action Plan document set out an ambitious programme of deliverables and targets. We started slowly. However, we learned from our experience. As we moved forward, we made adjustments to the institutional arrangements, and we broadened the scope of the Action Plan so as to more proactively pursue reforms in human resource management, organizational culture, results management, and other emerging needs. As we progressed, the Action Plan became increasingly owned by all IFAD staff, increasingly championed by our senior managers, and absolutely focused on what we needed to do to improve our effectiveness.

Leadership

Over time, we learned that we needed to place accountability for reform with IFAD's senior managers so we restructured our institutional arrangements. IFAD's senior management team was made accountable for implementing the Action Plan. An Executive Director, reporting directly to IFAD's President, led the change initiative and was accountable for the overall delivery of the Action Plan. An Action Plan Management Team provided strategic guidance and oversight, ensured consistency and coherence in implementing the deliverables, and championed the change agenda. Members included IFAD's three Assistant Presidents for Programme Management, Finance and Administration, and External Affairs, plus the Director of Strategic Planning. A small Action Plan Secretariat played a key role in ensuring delivery of Action Plan outputs.

IFAD-wide collaborative effort

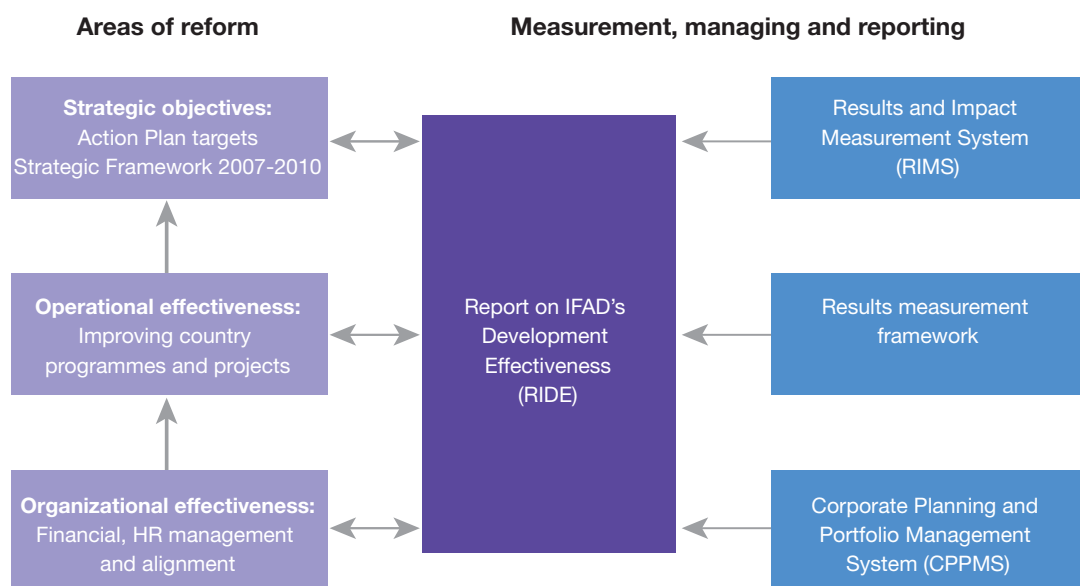
Development and implementation of the Action Plan has been an institution-wide collaborative effort, tapping the knowledge, skills and creativity of colleagues at all levels of the institution. We are grateful to the more than 200 agents of change -- IFAD staff members, IFAD's Office of Evaluation staff members, consultants and partners -- who directly contributed to the Action Plan, and the many more staff who took on extra work to support those directly involved. We also appreciate the support of our Executive Board members who helped us reflect deeply on our directions and ambitions.



What have we achieved so far?

Between early 2006 and the end of 2007, we delivered 14 major strategic documents to our board, on time and on budget, and we prepared many more for internal use. The tools and systems that these define are already transforming the way we do business.

Figure 2
Areas of reform, and tools for measuring, managing and reporting on progress achieved



Here are some key achievements to date, both in the various areas of reform and in measuring, managing and reporting the progress achieved under each:

Our Strategic Framework 2007-2010, which defines our organizational objectives, is guiding all aspects of our business.

Our new operating model – the set of tools and systems aimed at strengthening our operational effectiveness – is improving IFAD's country- and project-level operations and ensuring their alignment with our objectives.

- Working more closely with our country partners and within their poverty reduction strategies, we are gradually developing results-based country strategic opportunities programmes (COSOPs) for all countries in which IFAD is active.
- Our new project design guidelines are improving the process for, and quality of, project designs, which are in turn strengthening country ownership of the projects.

Human resources reform

Core values



Knowledge management strategy

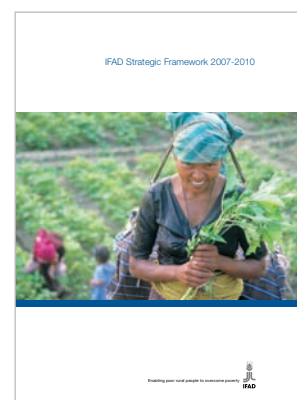


Innovation strategy



Evaluation of IFAD's field presence pilot programme

- Our new quality enhancement system is adding value to the design process by focusing on key success factors (KSFs) to guide internal reviews of project designs, and involving external experts in that review.
- Our new arms-length quality assurance system, which is also focused on the key success factors, is reviewing all projects to ensure that our projects meet our new standards for design quality, prior to their presentation to the Executive Board.
- Our new Targeting Policy focuses our operations on poor rural people, their problems and opportunities, and on improving their economic livelihoods. Everywhere, we focus particularly on women; and in some regions indigenous people and ethnic minorities are important parts of IFAD's target group.
- Our new Innovation Strategy and services, and the inclusion of innovation both among the KSFs for project design and within our results measurement framework, ensure that innovation is fully integrated into project design and implementation.
- We are more systematically sharing and learning as we apply our new Knowledge Management Strategy, and it too has been integrated into the project cycle. Already, the Rural Poverty Portal is online and 22 new learning notes guide IFAD staff members and consultants as they work with their national partners to design programmes and projects.
- We trained more than 130 IFAD staff members to directly supervise projects and provide implementation support under the guidance of our new Supervision Policy. Half of IFAD's project portfolio is now directly supervised, rather than outsourced to other institutions.
- Our enhanced country presence is improving project impact and enabling IFAD both to better live up to its commitments under the Paris Declaration on Aid Effectiveness and to contribute more effectively to the One UN pilots.



We are underpinning these efforts with new corporate systems that aim to improve our organizational effectiveness. Here are some highlights of our work in this area:

- Our new Corporate Planning and Performance Management System (CPPMS) is helping us plan, budget and report in ways that enhance the alignment of human and financial resources to objectives and priorities, link results at all levels of the organization, and provide a framework for monitoring organizational performance.
- Our new results-based programme of work and budget, which is part of the CPPMS, aligns our resources to our strategic priorities. Already, this effort is enabling us to devote a greater share of our resources to poverty reduction in developing countries.
- We developed and are implementing a Human Resources Framework for strengthening the management of human resources and aligning them with corporate priorities. This framework, which will evolve into IFAD's first People Strategy, is guided by a Human Resources Strategic Management Committee

 Report on IFAD's development effectiveness

 Culture change

 Activity plan for country presence

 Country presence

2008

- Climate change mitigation and adaptation
- Differentiated approaches
- Partnerships
- Dealing with rising food prices
- Financing instruments



chaired by the President. We have also increased staff training, conducted and shared widely 360 degree performance assessments of our senior managers, and recruited a new human resources director to lead the next phase of HR reform.

- We defined new core values – focus on results, integrity, professionalism and respect. They articulate the kind of organization and staff members we aspire to be. We encourage all staff to live by these values and we hold them accountable for doing so.

To measure, manage and report on our progress in achieving results, we have developed a set of linked tools.

- Our Results and Impact Measurement System allows us to assess our contribution to country level development outcomes, by quantifying the outputs and outcomes of IFAD-supported projects.
- Our Results Measurement Framework enables us to assess our operational effectiveness, by measuring the performance of our country programmes and projects against the goal and objectives of the Strategic Framework.
- Our annual country-level survey of partners, conducted for the first time in early 2008, solicits their feedback on our country programmes. These data feed into the Results Measurement Framework.
- Through the Corporate Planning and Performance Management System we measure and manage our organizational performance.
- We use our new annual Report on IFAD's Development Effectiveness to pull together our results at all levels, and to report to our Executive Board on the relevance of our mandate and operations, the effectiveness of our operations, our organizational effectiveness and our efficiency in delivering results.

What are we doing now?

Through the Action Plan we have gained experience in embracing and implementing change, and we have come to recognize that change is not a one-off exercise. We know that we must continue to change and improve to meet the evolving needs of our member countries in what is a rapidly changing world, characterised by increasingly uncertain climatic conditions, by high food prices, and by rapidly changing global and local markets for agricultural products. Already a new IFAD is emerging, one that on one hand is better equipped to help our member countries and poor rural people and their organizations meet the challenges of tomorrow, and on the other has the flexibility to continue to change.

We also know that something like three-quarters of all reform efforts fail in the medium to longer term -- even if they seem to be on track in the short term; and we know that IFAD faces risks that could undermine the achievements to date. So as we go forward we are keeping our senses of urgency high and complacency low, and shifting our focus from conceptual and piloting work to the mainstreaming of the new systems and tools. Our senior managers have a key role to play here. Above all, we are keeping our focus on improving the quality of country programmes, and project design, implementation performance and impact, so that we can make a greater contribution to reducing rural poverty.

At the same time, we are working on areas that can underpin or block change. These are the critical areas of human resources and organizational culture. We aim to better align our human resources with our objectives, ensure we have the right numbers of staff in the right positions with the right skills and attitudes to achieve our goals, and better manage and build the value of these key resources. This is the key area for reform during 2008.

To maintain the organizational focus on reform, the institutional arrangements for the Action Plan have been maintained. The Action Plan Management Team continues to meet, to discuss the needs and opportunities for further change and reform; and the Executive Director and Secretariat of the Action Plan continue to promote the change agenda, support the Management Team, and backstop the mainstreaming of Action Plan deliverables.

The HR agenda

In September 2008 we will be launching the IFAD People Strategy 2008-2012. It will be based upon a strategic approach to HR reform, which has three goals:

- A more flexible workforce
- With different and enhanced skills and knowledge
- And improved employee engagement and motivation

The achievement of these goals will be supported by improved HR management systems, tools and processes. We have agreed a programme of work and assigned resources to deliver the goals; and we have operationalised the governance of that programme of work through the HR Strategic Management Committee, chaired by the President.

To achieve a more flexible workforce we have so far:

- Agreed a broad vision for IFAD's workforce in 2015 – building on the new operating model
- Commissioned the development of a strategic workforce plan to understand the changes needed to realise the vision
- Agreed to map our current workforce
- Drafted an approach to a voluntary departure programme
- Agreed the policy outline for staff movement, promotion, and redeployment

To achieve a differently skilled and knowledgeable workforce we have:

- Delivered off the job training in core people management skills to key staff
- Developed our approach to talent management and succession planning

To improve employee engagement and motivation we have:

- Launched the second global staff survey
- Focussed on clear communication with staff representatives on the HR Reform process
- Celebrated the move to our new premises

To improve HR management systems, tools and processes we have identified a draft framework for risk management and internal controls upon which to work.

Building a results-driven, values-based organizational culture

We're building an organizational culture based on four core values:

- Focus on results
- Integrity
- Professionalism
- Respect

These values were established by all IFAD staff. Focus groups are now working to ensure that IFAD's processes and procedures are consistent with our values.



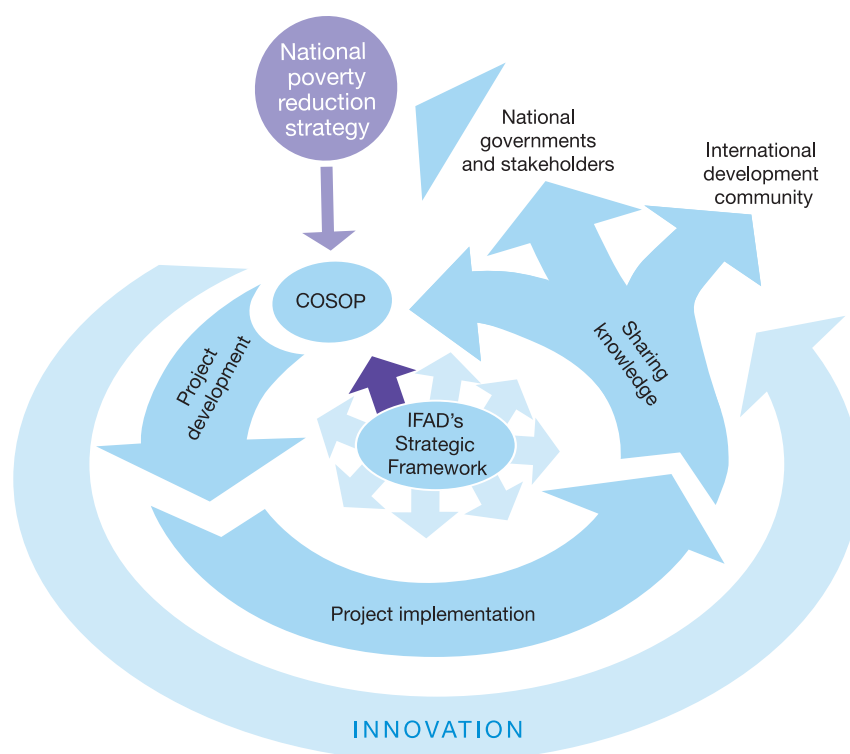
IFAD's new operating model

What is our new operating model?

Our operating model is the way we work with our member countries and poor rural people and their organizations to design and implement IFAD-funded programmes and projects. Together the Action Plan changes form a new operating model which strengthens all stages of the project cycle from development and implementation to sharing the knowledge we learn along the way. More specifically, our new operating model improves the way we do business by:

- increasing country leadership and building national capacities for poverty reduction
- fostering greater engagement in country processes and with UN and other partners
- improving country programme and project design, as well as supervision and implementation support
- nurtures innovation and encouraging learning and sharing of knowledge
- improving results measurement

Figure 3
The new operating model



How does it work?

The new operating model rests on several major Action Plan changes that together improve our ability to help our members become more effective in their fight against rural poverty and to deliver more sustainable benefits:

Strategic Framework 2007-2010

Our new Strategic Framework is the starting point for all aspects of our business. As shown in the illustration of our new operating model, the Strategic Framework establishes the ways in which we work with countries to fulfil the goals of their national poverty. Our Strategic Framework articulates how best IFAD can discharge its mandate and apply its instruments to reducing rural poverty. It recognizes and responds to both the changing nature of global poverty and the aid effectiveness agenda. It identifies IFAD's comparative advantages and defines its hierarchy of development objectives, key principles of engagement and thematic areas of work. It also explains how IFAD is to be managed and organized to deliver its objectives. To learn more about IFAD's Strategic Framework, visit www.ifad.org/sf/.

Results-based COSOP

A Country Strategic Opportunities Programme is a document that defines a country programme owned jointly by IFAD and a member country and identifies projects. As shown in the illustration, a COSOP is developed within the contexts of IFAD's Strategic Framework and our member country's poverty reduction strategy. Our new COSOPs, developed through the Action Plan, are results-based. They put much greater emphasis on country ownership and sustainability of benefits, and include a country-level results measurement framework with monitorable indicators.

Project design

As shown in the illustration, projects flow from country programmes defined by the COSOP. Our new project design guidelines, developed through the Action Plan, ensure that the projects we finance and support are aligned both with national policies and priorities and our Strategic Framework. The guidelines also enable IFAD to respond effectively to its commitments under the Paris Declaration on Aid Effectiveness, and above all, they enhance project quality-at-entry.

A new quality enhancement (QE) system, involving a strengthened review process during project design, serves to focus the technical review process on the critical issues, and to provide value-adding advice for improvements through the subsequent design stages. This is complemented by an arm's length Quality Assurance (QA) system, located in the Office of the Vice President. This will review all projects before Executive Board presentation, as the last internal check of project quality-at-entry and readiness, if necessary turning back those projects that do not meet IFAD's design standards.



Supervision and implementation support

Formerly IFAD contracted the supervision of IFAD-funded projects to cooperating institutions such as UNOPS. Through the Action Plan, we can now directly supervise and support our projects. This major change allows us to work closely with our member countries throughout the entire project cycle. In this way we can help them innovate, identify and solve problems in order to achieve maximum impact and sustainability.

Country presence

Unlike many UN organizations that have offices and staff in developing countries, most of our staff have been based at our headquarters in Rome, Italy. The independent evaluation of our Field Presence Pilot Programme found that performance in terms of implementation support, partnerships, policy dialogue and knowledge management was stronger in those countries in which we had a presence, and it concluded that country presence is critical for IFAD to enhance its effectiveness. As part of the Action Plan, we are beginning to increase our country presence. In 2008, we are out-posting two country programme managers, more effectively managing our current 15 country presence initiatives, and developing a medium-term approach for country presence.

Innovating, sharing knowledge and learning

Our new Innovation Strategy aims to ensure we seek and promote innovative approaches, technologies, partnerships and institutional arrangements in the projects we support. Our task is to promote agriculture-related innovations that work for poor rural people; and to upscale and replicate them by feeding lessons learned into national, regional and international policy processes and IFAD's knowledge management systems. The focus on innovation has been mainstreamed into our business processes: it is now integral to all new COSOPs and a key success factor against which we judge all project designs. Supervision missions also focus on innovation, and we measure our performance through our Results Measurement Framework.

Our Knowledge Management Strategy is helping us to capture and share our learning. It aims to ensure that we both learn from development practice and improve our capacity for learning and sharing. Ongoing projects are gradually being linked to knowledge networks that provide access to good practice and promote peer-to-peer exchange. More knowledge events are being held within IFAD on emerging development issues; and regional communication specialists have been recruited to support the knowledge management agenda at country level. IFAD has also established the Rural Poverty Portal (www.ruralpovertyportal.org), a web-based tool for learning and sharing knowledge on rural poverty reduction.

Managing for development results at IFAD

What is MfDR?

Managing for Development Results is a management approach and set of tools for planning activities and expenditures; managing risk; monitoring, evaluating and reporting on performance; learning and continuously improving performance; and using resources efficiently.

MfDR prompts us to ask four fundamental questions:

- what results do we want to achieve?
- what will we do to achieve those results?
- how will we know whether or not we have achieved those results?
- how will we learn from our experience and use our learning to improve performance?

At the Second Roundtable on Managing for Development Results, held in Marrakech, Morocco, in 2004, the international community agreed on five principles of MfDR:

- Focusing the dialogue on results at all phases of the development process
- Aligning programming, monitoring, and evaluation with results
- Keeping measurement and reporting simple
- Managing for, not by, results
- Using results information for learning and decisionmaking

This focus on MfDR by the international community was maintained in the 2005 Paris Declaration on Aid Effectiveness, which defined five partnership commitments: country ownership, donor-partner alignment, inter-agency harmonization, managing for results and mutual accountability. As a signatory to the Declaration, IFAD is committed to working with other donors and partners to fulfilling these commitments, and specifically, to implementing MfDR at country level and within the organization.



How are we implementing MfDR at IFAD?

We have been implementing MfDR at IFAD in concert with the Action Plan. Using the Strategic Framework as our starting point, our work in MfDR is based on these simple principles:

- Our strategic objectives are clearly defined and stated.
- Our systems, processes and resource use (human and financial) focus on achieving strategic objectives.
- Our systems, processes and use of resources are consistent and aligned with each other.
- We monitor and measure our progress in achieving our strategic objectives and use the results to learn and make decisions.

IFAD's approach to MfDR has guided our delivery of the Action Plan. In turn, by ensuring that the deliverables are aligned with strategic objectives and are mutually supportive, and by establishing systems for progress monitoring, the Action Plan has made a significant contribution to the mainstreaming of MfDR at IFAD.

We have established coherent, linked systems and tools to plan, monitor and assess development results. The new MfDR tools and organizational processes, which touch on all stages of the country programme and project cycle, are mutually-supportive. Together, they are improving IFAD's development effectiveness, particularly at country and project levels, and ensuring the alignment of IFAD activities with those objectives. The definition and use of key success factors, to guide the country strategy and project design processes, is critical; so too are the new guidelines for project supervision.

We are underpinning MfDR with new corporate systems for aligning human and financial resources with our objectives and for ensuring our resources are well managed. The framework for these efforts is provided by the Corporate Planning and Performance Management System (CPPMS) which provides the basis for:

- planning and budgeting, through the Results-based Programme of Work and Budget
- measuring and reporting results
- linking all individual priorities and results to those of the organization

How are we measuring our effectiveness?

We have developed a series of linked tools for measuring, managing, and reporting on, our results. We measure IFAD's contribution to country-level development outcomes, through our Results and Impact Management System, which provides quantitative assessments of project outputs and outcomes. We measure the operational effectiveness of IFAD's country programmes and projects through the Results Measurement Framework; this in turn uses information from the annual Portfolio Performance Report, and the results from our recently-established client survey. And we measure our organizational performance using information from the CPPMS.

Above all, the purpose of these measurement systems is to assist us to improve our development effectiveness. In particular, our ability to measure our operational effectiveness and organizational effectiveness enables us to analyse and manage our performance, to allocate resources accordingly, and modify internal systems and processes as necessary.

We also report on our effectiveness, through the annual Report on IFAD's Development Effectiveness (RIDE). The RIDE, which we produced for the first time in 2007, provides a high-level synthesis of results in three areas:

- relevance of IFAD's mandate and operations
- effectiveness of IFAD-supported operations
- IFAD's organizational effectiveness and efficiency in delivering those results

The RIDE draws on all of the information sources described above. It also uses data from the Annual Report on Results on Impact (ARRI), prepared by IFAD's independent Office of Evaluation.

The RIDE is expected to evolve as a reporting document. In 2008 it will additionally report on development outcomes achieved at country level, thereby creating the possibility of exploring a chain of causality from IFAD's organizational effectiveness, through operational effectiveness and project outputs and outcomes, to development outcomes achieved at country level.





30 years of impact

In 2008, IFAD marks 30 years of fighting rural poverty and hunger. IFAD was created in response to the droughts and famines that killed many millions of people in Africa and Asia in the early 1970s. World leaders at the 1974 World Food Conference decided to form a global alliance to fight rural poverty, an underlying cause of hunger and malnutrition. Their vision was a new and unique partnership between the members of the Organisation for Economic Co-operation and Development (OECD) and the Organization of the Petroleum Exporting Countries (OPEC) and other developing countries dedicated to agriculture and rural development.

IFAD is an international financial institution and a specialized United Nations agency. Since 1978, IFAD's member countries have together invested more than US\$10 billion in loans and grants, helping over 300 million poor rural women and men to grow more food, improve their land, learn new skills, start businesses, build strong organizations and communities, and gain a voice in the decisions that affect their lives. But hunger and poverty remain widespread in many countries, and poor rural people face new and daunting challenges, such as climate change and rising food prices. Now on the 30th anniversary of IFAD's founding, we honour our founders' vision and renew our commitment to enabling poor rural people to overcome poverty.



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