



Global Environment Facility
Fiduciary Management Standards

Standards and Practices Review Template

Agency: IFAD – International Fund for Agricultural Development

Proprietary and Confidential
06.03.2008

A. Audit, Financial Management and Control Framework

(1) External Financial Audit

The external financial audit function ensures an independent (as defined by the International Federation of Accountants (IFAC)) review of financial statements and internal controls.

- a. The agency has appointed an independent external audit firm or organization.
- b. The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA).
- c. Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.
- d. The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate.
- e. An annual audit opinion on the financial statements is issued by the external auditor and made public.
- f. An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.
- g. The external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.

Inventory of Current Organizational Environment	Documentation References
<p>a) IFAD Executive Board appoints the External Auditors on the proposal of the IFAD Audit Committee. The procedure to select the external auditors is a tender procedure. Mandatory rotation of the external auditors after 5 years with a maximum award of two consecutive terms of 5 years each. In any case the External Auditors' partner should rotate after 5 years. The External Auditors are excluded from the provision of any other services to IFAD.</p> <p>b) The work of the IFAD's External Auditors is conducted in accordance with International Standards on Auditing. External Audits are performed at least once a year. External Auditors make observations with respect to the financial procedures, accounting standards (IFRS), accounting system (PeopleSoft) and internal financial controls as required by International Standards on Auditing.</p> <p>c) IFAD consolidated financial statements, including GEF funds, are prepared in accordance with IFRS (formerly IAS) since 1985, and previously in accordance with Generally Accepted Accounting Standards, since IFAD's inception.</p> <p>d) see below</p> <p>e) Consolidated financial statements and External Auditors' audit opinion are included in the published Annual Report and also made available on the web.</p> <p>f) IFAD's Audit Committee scope of work includes the review of the draft consolidated financial statements, including the External Auditors opinion as well as the Internal Control Memorandum. This work starts with the Audit strategy memorandum presented by the External Auditors to the Audit Committee and discussed usually in a private session. The Audit Committee consists of 9 members appointed by the Executive Board for a period of three years, and they collectively possess an overall knowledge of IFAD operations and management. Some members have a finance background. The Audit Committee has written terms of reference and rules and procedures that address its membership requirements, duties, authority, accountability and regularity of meetings. The Audit Committee meets regularly, usually 3 to 4 times a year. Furthermore, the Audit Committee Chairman has regular contacts with the Controller, the Head of Internal Audit and Oversight, the Assistant President of FAD and other key managers in IFAD.</p> <p>g) On an annual basis, the External Auditors submit an Internal Control</p>	<p>Financial Regulations of IFAD, Regulation XII, External Audit.</p> <p>AC 2006/95/R.5</p> <p>http://www.ifad.org/pub/ar.htm</p> <p>Rules and Procedures of the Audit Committee, EB98/65/R.38</p> <p>Terms of Reference of the Audit Committee, EB 2006/88/R.32</p>

Inventory of Current Organizational Environment	Documentation References
<p>Memorandum where they make observations and formulate recommendations with respect to the financial procedures, accounting standards (IFRS), accounting system (PeopleSoft) and internal financial controls as required by the International Standards on Auditing. This report includes management answers to observations and recommendations. It is discussed with the Audit Committee which supervises the status of the implementation of the recommendations.</p>	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>d) The Organization has a GEF focal point. Internal controls defined and applied to the management of IFAD regular resources, complementary resources and supplementary funds are also valid for GEF funds. GEF funds are part of the IFAD consolidated financial statements and are included in the scope of work of IFAD's External Auditors on at least yearly basis.</p> <p>Within the scope of its work on the financial statement, the External Auditors provide assurance to the governing bodies on the internal controls in place.</p> <p>The IFAD's Controller, the Assistant President, the Legal Counsel and the President provide the External Auditor with a representation letter.</p> <p>IFAD is in the process of implementing a full Enterprise Risk Management, framing in a systematic and documented manner the controls in place for the overall management – operational, financial, etc – of the resources made available.</p>	<p>Implementation forecast 2010, resulting from the implementation of an effective ERM system which started in late 2007.</p>

(2) Financial Management and Control Frameworks

An internal control framework, as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:

- *Effectiveness and efficiency of operations*
 - *Reliability of financial reporting and financial management frameworks*
 - *Compliance with applicable policies and procedures.*
- a. A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.
- b. The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.
- c. The control framework has defined roles and responsibilities pertaining to accountability within the control framework for fiscal agents and fiduciary trustees.
- d. At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.
- e. The control framework guides the financial management framework.
- f. Procedures are in place for identifying internal controls and assessing controls details annually in the following financial management areas:
- Budgeting;
 - Accounting;
 - Internal control;
 - Funds flow (including disbursements, cash management, unused fund close-out);
 - Financial reporting; and
 - Auditing arrangements.

g. Duties are segregated where incompatible. Related duties are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting.

Inventory of Current Organizational Environment	Documentation References
<p>a) Although IFAD has not yet formalized an overall Internal Control Framework per se, IFAD governance is defined in different documents such as those of the IFAD Governing Council, Executive Board, Audit Committee as well as in internal rules, procedures, manuals, organizational charts, delegations of authority, budget decentralization processes, other financial and operational manuals. Segregation of duties is enforced through the organizational structure (e.g. separate accounting and treasury functions) and through access controls set-up in and imposed also through the workflow in the financial management systems.</p> <p>b) See below.</p> <p>c) The Internal Control framework under development will encompass in a consistent and systematic manner all governance aspects. It should be clear that IFAD is an IFI operating through loans and grants. In this respect it provides resources as defined by the donors, ensuring proper supervision and implementation support to the projects. In July 2007, in the context of direct supervision implementation, IFAD has set up a Supervision Support Unit in its Programme Management Department which acts as an oversight unit for the disbursement of funds and for implementing internal controls particularly for disbursements. It also provides reviews for Procurement and checks compliance and adequacy of financial reporting systems.</p> <p>d) Starting in 2007, IFAD has implemented MfDR, Management for Development Results. This is part of a new corporate management system, and along with the Corporate Management Results, is a critical building block for strengthening IFAD's organizational effectiveness. It aims to strengthen results orientation and improve the quality of planning and performance management functions. It promotes alignment of individual and Divisional performance with Corporate Management Results in order to strengthen IFAD's contribution to enhanced development effectiveness. Each Division Management Plan includes an assessment of the risk which can affect the capacity to achieve the objectives and to contribute to the overall corporate goals. These risks are included in a corporate risk register that is monitored on a quarterly basis by Senior Management and is part of quarterly</p>	<p>Annual Report 2005, Organizational Chart (pg. 125).</p> <p>Agreement Establishing IFAD, Article 6, Organization and Management</p> <p>Corporate Risk Register - Departmental Risk Register Finance Department Risk Register - Divisional Performance & risk conversations for Controller's, Treasury, Administration divisions Administrative Instruction dated 29 August 2007 which sets out the segregation of duties, assigns areas of responsibility and accountability as well as outlines the internal workflows.</p> <p>Internal Financial Procedures: 1) Accounting Manual; 2) Loans and Grants Manual; 3) Programme of Work and Budget preparation procedures.</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
	<p>deliver an ERM during 2009, with a first draft already by the end of 2008.</p> <p>It should be noted that IFAD has already in place different elements of ERM and these are effective at operational, financial and management level.</p>

(3) Financial Disclosure

The financial disclosure policy establishes and/or strengthens the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties.

- a. A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts.
- b. The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities:
 - Contracting or procurement;
 - Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and
 - Evaluating or auditing any project, program or entity.
- c. The policy specifies prohibited personal financial interests.
- d. The policy describes the principles under which conflicts of interests are reviewed and resolved by the agency. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified. The policy contains references to other related internal policies, such as outside employment policies.
- e. Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency.
- f. The policy establishes processes for the administration and review of financial disclosure interests of the defined parties defined as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>The IFAD Code of Conduct, within the IFAD Human Resources Procedural Manual, covers this area.</p> <p>a) Staff members are required to disclose possible conflicts of interest involving themselves or immediate family members to their supervisors or the President as soon as they become aware of them; staff members and consultants shall not accept any gifts offered to them in relation with the proper discharge of their duties with IFAD</p>	<p>IFAD Human Resources Procedures Manual - Chapter 8, Code of Conduct, 8.13.3, 8.13.4; 8.16</p> <p>IFAD Human Resources Procedures Manual -</p>

Inventory of Current Organizational Environment	Documentation References
<p>b) Staff members may be required to disclose personal assets</p> <p>c) Staff members shall not engage in any outside activities without prior authorization that are likely to give rise to a conflict of interest.</p>	<p>Chapter 8, Code of Conduct, 8.13.2</p> <p>IFAD Human Resources Procedures Manual - Chapter 8, Code of Conduct, 8.14</p>

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>a, d, e, f) IFAD does not yet have a full financial disclosure policy, in line with some other IFIs and UN agencies.</p>	<p>IFAD is in the process of designing a full financial disclosure policy, and a draft has been produced. Some IFAD key staff members attended a recent seminar on best practice. It is expected that a financial disclosure policy will be in place by the end of 2009.</p>

4) Code of Ethics

A code of ethics for agency staff promotes responsible governance and ethical behavior.

- a. A documented code of ethics defines ethical standards to be upheld, including protecting agency and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.
- b. An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations.
- c. Multiple avenues for reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit) are readily available (e.g. by posting them to the agency's intranet and external websites).

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) IFAD guiding principles include respect for all persons, loyalty to the UN system, impartiality, and fostering communication. IFAD's ethical standards are set forth in the Code of Conduct, which applies to all staff members and consultants. A task force for Core Values is operating. Upon appointment, all staff members sign an oath or declaration, indicating that they have read, understood and will ensure compliance to the Human Resources Policy and the Human Resources Procedures Manual. Periodic confirmations are not required at the moment.</p> <p>b) The Office of Audit and Oversight is responsible for investigating possible breaches of the Code of Conduct. Investigative findings are submitted to the Sanctions Committee for review and appropriate action. Decisions taken by the Sanctions Committee can be contested by appeal to the Joint Appeals Board.</p> <p>IFAD's Harassment Investigative Panel, comprising two staff nominated by Management and two staff selected by staff handles matters of existing or perceived harassment and abuse of authority.</p> <p>Failure to follow the code can result in counselling, corrective or disciplinary</p>	<p>IFAD Human Resources Procedural Manual - Chapter 8, Code of Conduct, 8.1.1, 8.2. Procurement guidelines section 18, "Ethical Behavior for Staff and Consultants involved in Procurement". IFAD Human Resources Policy, Sec. 4</p> <p>President's Bulletin, PB/2007/02</p> <p>HRPM, Chapter 9 as revised per PB/2007/08, Harassment Investigative Panel</p> <p>IFAD Human Resources Procedural Manual -</p>

Inventory of Current Organizational Environment	Documentation References
<p>measures, a written record of breach of the code, or disciplinary action, including suspension, demotion or dismissal.</p> <p>c) IFAD has had an anti-corruption policy since December 2005. The Office of Audit and Oversight is also responsible for investigating allegations of fraud and corruption at headquarters and in IFAD-financed projects. Avenues for reporting include a confidential telephone hotline and fax; a confidential email address; and an anonymous online reporting facility. These are advertised on the IFAD website, where there is a dedicated anti-corruption section. Confidentiality for complainants is guaranteed.</p> <p>Harassment complaints are submitted to the Harassment Investigation Panel.</p>	<p>Chapter 8, Code of Conduct, 8.22.1; President's Bulletin, PB/2007/02, Annex I: Investigation Procedures, 1.1</p> <p>IFAD Policy on preventing fraud and corruption in its activities and operations ("Anti-Corruption policy"), EB 2005/86/INF.8 President's Bulletin, PB/2007/02, Annex I: Investigation Procedures, 1.1</p> <p>HRPM, Chapter 9, as revised per PB/2007/08, Section 9.5.4</p>

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall
<p>IFAD's procedures and legal instruments are currently under review and will be updated to adequately reflect IFAD's core values which include <i>Integrity</i> and <i>Respect</i>.</p>	<p>All necessary measures shall be incorporated in the revised HRPM.</p> <p>Deadline : End of December 2009</p>

(5) Internal Audit

Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- a. Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA).
- b. Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.
- c. The internal audit function is independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.
- d. The internal audit function has documented a terms of reference/charter that outlines its purpose, authorized functions, and accountability.
- e. The internal audit function has a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals.
- f. The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts.
- g. The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.
- h. The internal audit function has a process in place to monitor the response to its recommendations.
- i. A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) OA's internal audit activities adhere to the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and the Code of Ethics established by The Institute of Internal Auditors.</p> <p>b) See a)</p> <p>c) Director of OA reports to and is accountable directly to the President. The Audit Committee is responsible for satisfying itself that the OA is and remains both efficient and effective. An annual report is provided by the Director of OA to the President summarizing significant oversight findings, recommendations and action taken in response. This annual accountability report is distributed unchanged to the Audit Committee. OA is not involved in the management of any programs, operations or functions.</p> <p>d) Revised Charter of Office of Audit and Oversight specifies mission, scope of work, accountability and independence, responsibility and authority etc.</p> <p>e) OA is responsible for developing an audit strategy and an annual audit plan using an appropriate risk-based methodology, submitting the strategy and plan to the President for review and approval and implementing the strategy and plan as approved.</p> <p>f) The chief audit Officer and staff of OA have among his responsibilities listed in the Charter the following ones: keeping the IFAD management and the Audit Committee informed of emerging trends and successful practices in internal auditing; coordinating audit effort with the Fund's External Auditors, for the purpose of providing optimal audit coverage to the Fund at a reasonable overall cost and with external oversight functions and law enforcement authorities as may be necessary for investigative purposes.</p> <p>g) Internal audit has a tracking system to monitor the recommendations that come out of audits. A new intranet database application (ROL: recommendations on line) was developed and introduced in 2007. Status of recommendations is tracked through a Key Performance Indicator for all divisions and is reported to the Audit Committee on an annual basis.</p> <p>h) See g)</p> <p>i) Key Performance Indicators track several aspects of OA performance and</p>	<p>President's Bulletin, PB/2007/03, Revised Charter and New Name, Professional Standard (pg. 4)</p> <p>President's Bulletin, PB/2007/03, Revised Charter and New Name, Accountability and Independence (pg. 2)</p> <p>President's Bulletin, PB/2007/03, Revised Charter and New Name</p> <p>President's Bulletin, PB/2007/03, Revised Charter and New Name, Responsibility (pg. 3)</p> <p>President's Bulletin, PB/2007/03, Revised Charter and New Name, Professional Standard (pg. 3)</p> <p>ROL (Recommendations on line) http://open/rol/</p>

Inventory of Current Organizational Environment	Documentation References
the results are reported and reviewed by the Office of the president and the Vice President. Confidential client survey questionnaires are sent out after the completion of each audit the results of which are also tracked through a KPI. Finally, in adherence to Internal Audit Standards OA is subject to external quality assurance (EQA) reviews and the first one was conducted by an external firm in 2007 in adherence to IIA standards. The relevant report was disseminated to IFAD Senior Management and discussed with the Audit Committee at its next meeting in April 2008.	

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

B. Project/Activity Processes and Oversight

(1) Project Appraisal Standards, including safeguards measures, as appropriate

Project appraisal functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed.

- a. An independent project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes. The process ensures an appropriate degree of institutional checks and balances at the stage of project design.
- b. Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.
- c. Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.
- d. Adequate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) Appraisal Mission: 3 to 5 members of IFAD staff or consultants spend 2 -3 weeks in a country and produce an Appraisal Report. Appraisal inputs come from the Country Portfolio Manager (CPM) but are discussed at a panel with input from independent staff & management. IFAD has developed a new project appraisal process. The appraisal process requires that the project include justification on economic and financial grounds to determine sustainability. IFAD requires that all GEF projects receive input from the technical advisory group responsible for environmental matters. In addition, IFAD has a dedicated GEF unit that assesses whether the proposed activity is eligible for GEF funding and whether the activity should achieved GEF focal goals.</p> <p>b) IFAD has developed a new project appraisal process. The appraisal process requires that the project development objectives and anticipated outcomes be clearly stated and supported. Key performance indicators are core</p>	<p>IFAD Document: IFAD mechanisms for quality control, enhancement and assurance</p> <p>Project Design Guidelines; President's Bulletin dated 22 January 2008</p> <p>GEF Unit's roles and Responsibilities O.M. 13/07/2005</p> <p>Project Design Guidelines as part of the Quality Enhancement Action Plan; President's Bulletin dated 22 January 2008</p>

Inventory of Current Organizational Environment	Documentation References
<p>requirements for all proposed projects. These are reviewed prior to project appraisal and project approval.</p> <p>c) President's Bulletin 94/03, "Administrative Procedures for Environmental Assessment in the Project Cycle," provides 9 Operational Statements to assist in environmental screening and scoping IFAD's operations. A project is classified in 3 environmental categories (A, B or C)). For Category A projects, an ex-post Environmental Assessment (EA) is undertaken as part of Completion Evaluation. 3 more Statements are in development stage. Environmental Assessment procedures are currently being updated to include Strategic environmental Assessment (SEA) guidelines for strategic country programme development. SEAs should be automatically applied to (i) environmental sustainability and internalization of externalities; global issues and MEAs such as biodiversity, climate change and desertification; sectoral policies to help in project selection and improve economic cost benefit analysis. Two new Operational statements (OPs) have been developed on rural finance and Small enterprise development. Two other OPs are under development on Climate change and on payment for environmental services.</p> <p>d) Appraisal Report is reviewed by the Project Development Team (PDT) and borrower governments. The PDT comprises staff from the project and independent staff from technical support units.</p>	<p>President's Bulletin 94/03</p> <p>Learning notes, Key success factors (3 and 5)</p> <p>Appraisal Process Guidance Document</p>

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

(2) Procurement Processes

Agency procurement processes covering both internal/administrative procurement and procurement by recipients include written standards based on widely recognized processes and an internal control framework to protect against fraud, corruption and waste.

- a. Specific directives at the agency promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions.
- b. Specific procurement guidelines are in place with respect to different types of procurement managed by the agency, such as consultants, contractors and service providers.
- c. Specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions are in place.
- d. Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.
- e. Procurement records are easily accessible to staff, and procurement policies and awards are publicly disclosed.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) Procurement Guidelines outline: a. Basic principles of transparency and equal treatment; b. Procedures for goods and services; c. Procedure for consulting services through a firm. Authority to make amendments to procurement guidelines is delegated to the Chairperson of the Contracts Review Committee. He/she shall advise the President of any substantive change to this manual section. Notwithstanding, changes regarding the procurement authority levels are for the approval of the President.</p> <p>b) Specific procurement guidelines exist for procuring goods and services at headquarters and for procuring services from non commercial entities (called institutional contracts). Services may be defined as contractors, service providers or consultants through a firm. Individual consultancy contracts are handled as human resource contracts through Human Resources.</p> <p>c) Project designs include a detailed procurement plan. Conformance to the procurement plan is a part of project monitoring and overseen by an independent</p>	<p>Procurement Guidelines, Part A-C; IFAD Manual, Chapter VI, Section 601, Procurement Policies and Procedures (pg. 9). Terms of Reference of the Contracts Review Committee.</p> <p>Procurement Guidelines, Part A-C; IFAD Manual, Chapter VI, Section 601, Procurement Policies and Procedures (pg. 9), Guidelines for Institutional Contracts with non Commercial entities, IFAD Manual section 609</p> <p>Loans and Grants Manual</p>

Inventory of Current Organizational Environment	Documentation References
<p>management team. IFAD guidelines are in force for IFAD financed projects. Nevertheless, when the cooperating institution, borrower or beneficiary guidelines are in line with IFAD guidelines those are applicable. This is assessed during the appraisal phase.</p> <p>d) IFAD maintains a central database on the results of performance indicators on project implementation, which includes performance against the procurement plan and also disbursement delays.</p> <p>e) Procurement database access is restricted based on function. Procurement can review inputs on an informational access basis only; budget holders can access for info-basis only as well; budget assistants input data into the system. Internal audit has a complete 24 hour and electronic access to all procurement records. Policies and awards are internally disclosed. Procurement function is centralized and results in significant segregation of duties.</p>	<p>KPI Indicators</p> <p>Procurement Guidelines, Part A-C; IFAD Manual, Chapter VI, Section 601, Procurement Policies and Procedures (pg. 9)</p>

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Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

(3) Monitoring and Project-At-Risk-Systems

The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and/or activities, particularly those deemed to be at risk.

- a. Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.
- b. The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions.
- c. Monitoring reports at the project/activity level are provided to project/activity manager as well as to an appropriately higher level of oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.
- d. A process or system, such as a project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.
- e. Adequate oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation.
This process or system is subject to independent oversight

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
a) Country Programme Reviews, Divisional Portfolio Reviews and Departmental Reviews are consolidated into the Portfolio Performance Report (PPR). Reviews of PPR are undertaken by the President, the Evaluation Committee of the Executive Board and the Executive Board. The Evaluation Committee reviews the PPR together with the comments made independently by the Office of the Evaluation. Annual portfolio review process consists of in-country reviews and reviews at IFAD headquarters. Four areas of review are: efficiency in managing portfolio, operational effectiveness, sustainability of	Portfolio Review Guidelines April 2007, pg. 1-5)

Inventory of Current Organizational Environment	Documentation References
<p>impact, and review of implementation of recent instruments and policies.</p> <p>b) The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions. The overall portfolio monitoring function is undertaken by the front office of the Assistant President of PMD. In addition, under the strategic guidance of the Regional Directors; and working closely with the Country Programme Managers (CPMs) and Field Presence Staff, 5 Portfolio Advisers are under recruitment to implement the new IFAD supervision policy and particular emphasis will be placed on supporting the CPMs and Field Presence staff to enhance supervision skills and use best practices in managing country and regional portfolios.</p> <p>c) Guidelines for Preparing Project Status Reports (PSR). PSR is prepared for all projects that have been approved but are not signed or effective.</p> <p>d) Portfolio performance report describes and analyses overall implementation performance and the portfolio at risk and the results and impacts. Performance Based Allocation System (PBAS) assesses portfolio-at-risk (PAR). Under this methodology, the portfolio is divided into 3 risk categories: actual problem project, potential problem project and project not at risk. A review of the country portfolio assessments using the PAR methodology is undertaken by each regional division. These analyses then feed to the PBAS, which is used to allocate resources among countries</p> <p>e) IFAD undertakes an annual portfolio review exercise which serves as a management tool for IFAD, including Country Programme Managers (CPMs), the GEF unit, the Programme Management Team (PDMT) and the senior management, to monitor and self-assess the performance of the portfolio in terms of its outputs and impact and draw lessons for future operations. It allows IFAD to identify emerging problems and address them proactively and thus mitigate deteriorating trends in portfolio performance. An important result of the portfolio review exercise is to identify projects and country portfolios that are at the risk of not meeting their objectives (See c) A review of the country portfolio assessments using the PAR methodology should be undertaken by each regional division and a table showing the number of projects rated: (a) not at risk; (b) potential problem; and (c) actual problem. Following the above analysis, remedial actions should be described for each project (country portfolio) specifying the responsibility for each</p>	<p>Portfolio Review Guidelines April 2007, pg. 24-35)</p> <p>Portfolio performance report 2006/07 Volume I (EB 2007/92/R.8/ Rev I) – December 2007), D. Portfolio at risk and pro-activity (pg. 8) The Structure and Operation of a Performance-based Allocation System (EB 2003/79/R.2/Rev/1)</p> <p>Portfolio Review Guidelines April 2007.</p> <p>Portfolio Review Guidelines April 2007 (page 11- E. Portfolio at risk)</p> <p>The Structure and Operation of a Performance-based Allocation System (EB 2003/79/R.2/Rev/1)</p>

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recommendation.	

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

(4) Evaluation Function

The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The goals of evaluation are to provide an objective basis for assessing results, to provide accountability in the achievement of agency objectives, and to learn from experience. The GEF monitoring and evaluation policy, adopted by Council in February 2006, establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF, including impartiality, professionalism, and a high degree of independence.

- a. Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy.
- b. The evaluation function follows impartial, widely recognized, documented and professional standards and methods.
- c. The evaluations body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the agency, ideally reporting directly to the governing board. If its structural independence is limited, the evaluations body or function has transparent reporting to management and /or the governing board.
- d. An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) IFAD has a permanent dedicated and independent Office of Evaluation. The main purpose of an independent evaluation function at IFAD is to promote accountability and learning in order to improve the performance of IFAD's operations and policies.</p> <p>b) IFAD's evaluation approach reflects and is harmonized with internationally accepted evaluation norms and standards, in accordance with Principles for Evaluation of the OECD/DAC. It also takes into account special features of IFAD.</p> <p>c) IFAD Evaluation Policy was approved by its Executive Board in April 2003. The Office of Evaluation (OE) of IFAD is independent of IFAD's Senior Management. The OE Director reports directly to the Executive Board. The OE Director formulates the OE annual work programme and budget independently of OE Management and has the authority to issue final evaluation reports. Moreover, to further safeguard independence in human resources issues, the authority of the President of IFAD to make all personnel and operational decisions concerning OE staff and consultants in accordance with IFAD rules and procedures is delegated to the OE Director.</p> <p>d) The OE Director conveys completed evaluation reports, including the agreement at completion point and other evaluation documents, and the annual OE work programme and budget, simultaneously to the Executive Board of IFAD, the President and, when¹ ever applicable, the concerned borrowing country's authorities, the implementing agencies and cooperating institutions.</p> <p>All evaluation reports, including the including the agreement at completion point, profile and insights² are disclosed to the public at the completion of the evaluation process and disseminated widely through the print and electronic media, in accordance with IFAD disclosure policy.</p>	<p>IFAD Evaluation Policy, EB 2003/78/R.17/Rev.1, (April 2003)</p> <p>Ibidem, p. 2.</p> <p>Ibidem, p. 2, 4.</p> <p>Ibidem, p. 11</p> <p>Ibidem, p. 12</p>

¹ Upon completion of each independent evaluation report by OE, OE and relevant IFAD officials and other stakeholders will develop a separate action-oriented document, called the understanding or agreement at completion point. The ACP is the end point of a process that aims to determine how well evaluation users understand the recommendations proposed in the independent evaluation, and how they propose to make them operational. Interaction among the stakeholders working through the CLP helps deepen the understanding of evaluation findings and recommendations contained in the independent evaluation report, and elicits ownership for implementing the recommendations. The ACP illustrates the stakeholders' understanding of the evaluation, findings and recommendations, their proposal to implement them and their commitment to act upon them. OE will participate in this process to ensure a full understanding of its findings and recommendations. (See IFAD Evaluation Policy, paragraph 45)

² "Profiles" are evaluation summaries that provide an overview of the main evaluation conclusions and recommendations. "Insights" contain one learning theme from the evaluation and serve to stimulate discussion among practitioners and other development specialists on some important issues. (See IFAD Evaluation Policy, paragraph 54)

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

C. Investigations

(1) Investigation Function

The investigation function provides for independent, objective investigation of allegations of fraud and corruption in agency operations, and of allegations of possible agency staff misconduct.

- a. The investigations function has publicly available terms of reference that outline the purpose, authority, and accountability of the function.
- b. To ensure independence, the investigations function is headed by an officer who reports to the head of the agency and/or an oversight body, such as a committee of the board of directors or a comparable body.
- c. The investigations function has published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.
- d. The investigations function has a defined process for periodically reporting case trends. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and respective functional business areas.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
a) The Office of Audit and Oversight (OA) investigates all allegations of misconduct, fraud and corruption, including allegations against IFAD staff, consultants and contractors and allegations in connection with IFAD-financed projects and programs. The mandate and procedures for this are publicly stated in the IFAD Anti-Corruption Policy and a President's Bulletin.	EB 2005/86/INF.8, IFAD Policy on preventing fraud and corruption in its activities and operations (Anti-Corruption Policy); President's Bulletin, PB/2007/02, IFAD Investigation and Sanction Processes, Annex I: Investigation Procedures, 2.1 - 2.2
b) Director of OA reports to and is accountable directly to the President. OA transmits investigative findings to the President and the Sanctions Committee. The Audit Committee is responsible for satisfying itself that the OA is and remains both efficient and effective.	PB/2007/02, IFAD Investigation and Sanction Processes President's Bulletin, PB/2007/03, Revised Charter and New Name, Accountability and Independence (pg. 2).
c) IFAD's procedures for reporting and processing allegations of irregular practice,	President's Bulletin, PB/2007/02, IFAD

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<p>conducting investigations, confidentiality and treatment of investigative findings are publicly outlined in a President's Bulletin.</p> <p>d) OA reports annually to the Audit Committee on its investigation activities, i.e. caseload, statistics, nature of allegations, internal and external cases and salient details of concluded cases. This annual report is available online.</p> <p>In addition, a summary of cases closed as unsubstantiated and/or unfounded is submitted to the President at regular intervals.</p>	<p>Investigation and Sanction Processes</p> <p>Annual Report on Investigative and Anticorruption Activities PB/2007/02, Annex I, Sec. 6.5</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall

(2) Hotline & Whistleblower Protection

Agency policies provide avenues for reporting suspected ethics violations and protections for individuals reporting such violations.

- a. A hotline or comparable mechanism is in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity.
- b. An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains a certain level of autonomy from the investigations function.
- c. A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken the same action absent the protected disclosure).
- d. Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers or others making reports (such as by using appropriate hotline technology, and preserving anonymity in reporting processes).
- e. Procedures are in place for the periodic review of the handling of hotline, whistleblower and other reporting information to determine whether the process to protect these parties is in place and is effective.

I. Description of how agency meets this standard:

Inventory of Current Organizational Environment	Documentation References
<p>a) Avenues for reporting include a confidential telephone hotline and fax; a confidential email address; and an anonymous online reporting facility. These are advertised on the IFAD website, where there is a dedicated anti-corruption section. Confidentiality for complainants is guaranteed.</p> <p>b) Reports of alleged or suspected irregular practices are received by the Office of Audit and Oversight (OA) on a strictly confidential basis. The intake function is a component of the investigations function.</p> <p>c) IFAD's anti-corruption policy establishes the following whistle-blower protection: "The fund shall take all possible actions to protect from reprisals individuals who help reveal corrupt practices in its project or</p>	<p>http://www.ifad.org/governance/anticorruption/how.htm</p> <p>IFAD Anti-corruption Policy, EB 2005/86/INF.8</p>

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<p>grant activities...".</p> <p>A President's Bulletin provides protection for staff or others against reprisals for providing information about possible irregular practices or otherwise cooperating with an investigation. Individuals reporting concerns or cases of harassment or assisting in providing relevant information are also protected from retaliation/threats under the relevant stipulations regarding the harassment investigative panel.</p> <p>d) Reports of alleged or suspected irregular practices are received on a strictly confidential basis. Methods include phone, fax, e-mail and online. An online reporting facility allows for complete anonymity. OA strictly safeguards the confidentiality of the identity of the source, including from the President and the Sanctions Committee. Disclosure of the identity of a person or entity as the complainant or source of the initial report is authorized only where that person or entity has consented to the disclosure; or where it is determined that that person knowingly and willfully submitted a false complaint; or where: (i) that person has been informed in advance of the disclosure, and (ii) such disclosure is necessary for administrative, disciplinary or judicial proceedings, and (iii) the President has approved the disclosure.</p> <p>e) The system has been operational for 1 year and remains under review.</p>	<p>President's Bulletin, PB/2007/02, IFAD Investigation and Sanction Processes (Section 3)</p> <p>President's Bulletin, PB/2007/02, IFAD Investigation and Sanction Processes, Annex I: Investigation Procedures, 2 (Role of OA in Investigations)</p>

II. Description of area(s) in which agency does not meet this standard, and description of agency's monitorable program to remedy any such shortfall, including specific target dates for implementation.

Area(s) of Shortfall	Description of Monitorable Program to Remedy Shortfall