Programme Alimentaire Mondial

برنامج الأغذية العالمي

World Food Programme

Programa Mundial de Alimentos

**Executive Board
First Regular Session**

Rome, 8–11 February 2010

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

*For information**

FINAL UPDATE ON THE WINGS II PROJECT

* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for information.**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

DRAFT DECISION[*]
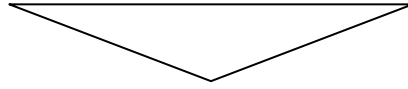
The Board takes note of "Final Update on the WINGS II Project" (WFP/EB.1/2010/6-G/1)

WFP

INTRODUCTION

1. This is the ninth and final progress report on the WFP Information Network and Global System II (WINGS II) Project submitted to the Board. It updates status report WFP/EB.2/2009/5-G/1, submitted in November 2009.

BACKGROUND

WINGS Legacy

2. The original WINGS was the chief product of the Financial Management Improvement Programme (FMIP) established in 1995 to address important shortcomings in WFP's ability to control its resources and report on their use. The FMIP's aim was to replace a variety of disparate and obsolete information systems with one fully integrated system that would enable the management of staff, food and finances, while guaranteeing financial accountability, cost-effectiveness, control, transparency and real-time reporting.

3. WINGS went live in January 2001 and was gradually rolled out to all WFP country offices. WINGS was an historic achievement: it was the first enterprise resource planning (ERP) information system in the United Nations. More important was the fact that without WINGS, WFP would not have been able to carry out a fundamental transformation: the delegation of authority and accountability for operations to its country offices, and decentralization of its structure in 2001. WINGS allowed automation and control of all financial activities at the transactional level. It provided staff members with access to the basic information they needed to better manage their financial transactions.

4. WINGS was based on the ERP software supplied by the SAP firm, and linked to WFP's Commodity Movement Processing and Analysis System (COMPAS), the resource mobilization system and other internal systems. However, because it was highly customized it could not be adapted to cope with new requirements as WFP's needs and operating model evolved over the years. In addition, maintenance for the version of the SAP software used by WFP was due to end in 2006, and an upgrade to new software would have been necessary to ensure continued smooth operations. The two options were: i) a purely technical upgrade; or ii) a business-driven updgrade that re-engineered processes to fit a more standard software. The Board approved a Secretariat request endorsed by the External Auditor (see WFP/EB.A/2005/6-B/1/Rev.1) to embark on the second option.

WINGS II

5. The upgrade project – WINGS II – aimed to:

    ➢ introduce industry-standard information systems that were as free from customization as possible, enabling easier and faster future upgrades in response to WFP's evolving needs;

    ➢ re-design WFP's business processes to permit use of standard information systems and address needs not fully met by the previous WINGS system, including embedding International Public Sector Accounting Standards (IPSAS) compliance in the day-to-day processes.

6.   On 1 July 2009, WFP made a full and successful transition from WINGS to WINGS II. The 2009 Edition fully addressed the architecture needed for many of the substantive improvements in organizational performance expected from the new system. With the expected stabilization period nearly complete, WINGS II is functioning effectively.

7.   The project focused first on setting up the architecture, ensuring transactions were reliable and permitting common reporting before addressing more specialized use of stored data. Some expected benefits such as improved results-based management will not be available until the end of 2010.

8.   The Secretariat would like to note that the ability of a major upgrade like WINGS II to provide better management data will require the development and further refinement of the various reporting and analysis tools needed to extract this data in ways which can be used effectively by management.

9.   The 2009 Edition of WINGS II ensures the following:

i)   WFP now has the foundation for a robust and broad information system, as free from customization as possible, which will support growth and changes to the Programme's operating model. WINGS II can be more easily adapted to WFP's evolving business, organizational and funding models such as might arise during the financial framework review.

ii) Inefficiencies in the former WINGS architecture and processes included disparate systems for managing and reporting on contributions, managing employee travel and capturing employee records; and highly customized ERP implementation based on an outdated version of the software that resulted in difficult and costly maintenance. These inefficiencies have been addressed, allowing for expanded functionalities. For example, adopting a single travel system will allow WFP to adopt the "green" practice of collecting and reporting carbon footprint information on employee air travel.

iii) Previous needs that are fully addressed by WINGS II include: i) seamless compliance with IPSAS requirements; ii) mainstreaming of the main goals of the business process review (BPR) initiative to maximize the use of resources and ensure that food is available to beneficiaries on time; iii) ability to incorporate such food assistance modalities as cash transfers and vouchers; iv) improved visibility and greater ability to link project outputs to WFP's Strategic Objectives; v) better management of human resources through a single global view of WFP's employees.

10.   A chronology of WINGS II implementation is outlined in Annex I, starting from the 2005 strategy and scoping study commissioned by the Secretariat through the successful transition to WINGS II in July 2009 and to the end of the year.

2009 EDITION

11.   The 2009 Edition of WINGS II has added value to the organization by implementing solutions in a number of areas where the organization's needs have evolved, but were not properly supported by WINGS. The WINGS II project has introduced the functionality and structures to address requirements of IPSAS; the BPR, including working capital financing; results-based management; and the common monitoring and evaluation approach (CMEA).

12.   While the value added by WINGS II is clear, the fact of having had two systems operating during 2009 created a set of difficulties. Some of the new processes will not become fully stabilized until well into 2010, once the actions initiated in the previous

WINGS systems have worked their way completely through the new system. The most significant challenge will be the production of annual reports for 2009, which will require consolidating data from WINGS and WINGS II. For some reports, the structures during each half of the year will be different, making the consolidation of information even more complex.

13.   The expected improvements as a result of the 2009 Edition can be grouped into four areas: i) improved management support tools; ii) more efficient compliance with IPSAS; iii) improved controls and oversight for a decentralized organization; and iv) structural improvements.

Improved Management Support Tools

14.   With WINGS II, for the first time, a consistent, global view of WFP's inventory is available and easily accessible to managers in the field and Headquarters. WINGS II provides the tools for effective management of the global supply chain, including better use of inventory within and between geographic regions.

15.   WINGS II has improved the quality of stock information, allowing senior management to better monitor a critical risk area. During 2010, stock information will become available in the data warehouse, allowing operational information to be more easily aggregated with financial data.

16.   Senior managers can now obtain more regular statements comparing budget and actuals, enabling them to promptly monitor and evaluate how operations are performing against budgets.

17.   Managers in field offices can now regularly generate country-specific income and balance sheet statements. These reports, when combined with other reports, provide them with tools for better managing operations and offices. For example, they help them to determine whether inventory levels are sufficient, fixed assets are being monitored and recorded on time, and levels of payables are correct.

More Efficient Compliance with IPSAS

18.   IPSAS requirements are now embedded in day-to-day processes and systems, reducing the effort required to produce IPSAS-compliant financial statements.

19.   The combined value from IPSAS and WINGS II will further strengthen financial monitoring and decision-making by allowing WFP managers to access more comprehensive financial data produced more often.

Improved Controls and Oversight for a Decentralized Organization

20.   WINGS II introduced accounting structures and budget responsibility that match the decentralized organization of the Programme, with clear roles and responsibilities for different activities. This promotes a stronger internal control environment by segregating major responsibilities for approving transactions and facilitates better oversight of decentralized offices through better office-level reporting.

21.   WINGS II has also improved transparency and reporting capabilities in a number of important areas, allowing managers to access a single corporate source of information. This allows managers to more effectively monitor decentralized activities and to optimize resources globally, and allows WFP to maintain stronger oversight in a decentralized environment.

Structural Improvements

22.   The greatest value added by the 2009 Edition has been to put in place a much more robust, broader and more agile information system. This has been achieved by:

➤   fixing structural problems in the previous WINGS architecture and processes;

➤   upgrading the software to the latest public-sector version of SAP;

➤   further developing the "United Nations layer" functionality for human resources and payroll;

➤   using standard solutions where possible to minimize customizations; and

➤   adding a new feature that allows WINGS II to more easily exchange information with other applications.

BEYOND THE 2009 EDITION

23.   This progress report concludes the project phase of WINGS II. The transition activities described in the last report (WFP/EB.2/2009/5-G/1) have all been completed and the responsibility for providing ongoing support and implementing any future editions has been mainstreamed. Technology aspects are now the responsibility of the Information Technology and Management Division, which has been reorganized since WINGS II went live to better support the system. Non-technical project staff have all returned to their original units, but certain aspects of how the project was organized will stay in place, with process owners, process experts and local process experts providing support for the 2009 Edition and available to be involved in future editions from within their original work units.

24.   The Secretariat has indicated that further improvements are to be implemented in annual editions, and expects to provide a timetable and costs for improvements and deferred functionalities at the Board's 2010 Annual Session. The Secretariat will select the improvements for annual editions based on the Programme's most critical needs: because the context has evolved since the project started in 2006, and the 2009 Edition introduced many new capabilities, the highest priority improvements may not necessarily be those functionalities originally in the WINGS II scope and deferred.

25.   Some improvements that could possibily be delivered through future editions are described below.

Making the Most of New SAP Modules

26.   The SAP logistics execution system (LES) was implemented in the 2009 Edition only for the upstream portion of the logistics execution chain; most data for the downstream portion is populated through integration with COMPAS. LES will be configured for use along the entire chain, allowing COMPAS to be replaced eventually. LES will initially be piloted for downstream use in a few offices and if successful, rolled out further in future editions.

27.   The SAP portal and human resources self-service modules were implemented as part of the 2009 Edition only to support personnel requests from managers. In future editions, these tools could be extended to all employees so that routine human resources actions are entered by staff members directly, allowing human resources staff to spend less of their time on transactions and more on advisory and strategic work. It is anticipated that

employee self-service would be piloted in a few offices and if successful, rolled out to the others.

28.   The exchange infrastructure feature was implemented as part of the 2009 Edition, bringing WFP up to date with many other organizations that have adopted similar software to increase their organizational agility. So far, the feature has been used only to phase out older interfaces and integrate new applications. In the future, new tools deployed to support planning, budgeting, and execution of projects will be integrated with the corporate systems through this improved architecture.

29.   A data warehouse and a new end-user reporting tool was implemented through the 2009 Edition. The data warehouse has been populated with financial, budget, contributions and human resources data, supporting the production of a set of corporate reports. Data in the warehouse will be progressively expanded to include data on inventory and other programme information, which would allow the production of other kinds of management and corporate reports.

Wider Roll-Out of 2009 Edition Solutions

30.   The performance planning and monitoring module was delivered as part of the 2009 Edition to address CMEA requirements. The tool is being piloted in three countries. If successful, future editions will include further roll-out of the module, providing a standard approach to planning, monitoring and reporting on project outputs.

Further Functionality Extensions

31.   The upgrade of the SAP system has provided the possibility of using some of the new features. For example, the new treasury management modules provide the opportunity to further improve the cash management and financial risk management tools in use.

The e-Guide

32.   The 2009 Edition created an e-Guide, a repository documenting WFP's business processes, roles and responsibilities and related transactions. For the first time WFP has full documentation of work performed manually and in WINGS II by WFP employees. Such documentation facilitates cost-effective internal control by, for example, avoiding duplication of control activities. It also provides a full picture of current business processes that can be used as the baseline for future changes.

33.   The e-Guide helps to support staff and train staff new to a task. It is a valuable tool for future initiatives, allowing faster implementation of improvements – especially important for major changes or changes that span multiple areas.

Other Opportunities

34.   The system, processes and roles and responsibilities put in place by the 2009 Edition have provided a baseline for further incremental improvements during 2010: for example, many operational reports will be expanded or refined in 2010 through the regular maintenance processes for the new system. Further process improvements will be introduced once the system has fully stabilized; these could include creating an interface with bank service providers to ensure improved controls and efficiency.

35. The improvements described above are indicative. A timetable and costs of improvements will be provided at the 2010 Annual Session based on WFP's updated priorities.

BUDGET STATUS

36. At the end of December 2009, US$54.8 million of the allocated US$56.5 million had been spent. The funds received, expenditures and intangible asset value are summarized below.

Contribution Summary

37. The breakdown of the US$56.5 million received is as follows:

➤ Australian Government   0.4
➤ Capital Asset Fund (2006–2007)   15.0
➤ General Fund   41.1

                                       56.5

Expenditure Summary

38. At the time of reporting, US$54.8 million of the allotted US$56.5 million had been spent. A breakdown is shown below:

➤ Analysis   5.6
➤ Detailed design   9.5
➤ Redesign   4.4
➤ Realization (build, migrate, test, train, deploy, etc.) and support   33.4
➤ Other costs   1.9

    54.8

Value of WINGS II Intangible Asset

39. The WINGS II intangible asset at the end of 2008 was reported in the 2008 financial statements with a value of US$30.9 million. The estimated value of the asset at the time of writing this report is US$45.4 million; the final value at the end of 2009 will be reported in the 2009 financial statements.

40. The anticipated annual investment of US$5–6 million in new editions beyond the 2009 Edition is within the estimated US$7.5 million amortization cost of the intangible asset.

BENEFITS FRAMEWORK

41. The expected benefits of WINGS II were originally defined in September 2006, following the analysis phase and the validation workshops with field-based staff. Some of these benefits were refined during the design and realization phases, for example when the scope of the first release was adjusted in late 2007, but most of the original benefits have remained unchanged.

42.   Different benefits are expected to be realized over different timelines:

   i)   Some of the benefits are expected to be realized immediately after the system and processes have stabilized.

   ii) Other benefits will be realized more gradually, for example: solutions that will be piloted then rolled out will be realized more slowly; corporate reporting benefits will increase progressively as the Data Warehouse is populated with more information and additional reports are developed.

   iii) Some benefits will not be realized until much later. For example the reduced cost of the next upgrade.

Approach

43.   The Resource Management and Accountability Department is in the process of defining a set of corporate results and their corresponding corporate indicators. These corporate results, and indicators, will form the basis for a strengthened corporate performance monitoring and reporting.

44.   As WINGS II is a corporate enterprise-wide information system, the project's steering committee has recommended that it would be more appropriate to assess the value of the WINGS II investment around clearly established corporate results and indicators, rather than against divisional/unit or process-specific ones. The Secretariat therefore proposes to assess the value and benefits of the WINGS II investment against these corporate results and indicators.

45.   The Secretariat proposes to align the assessment and reporting on the WINGS II benefits to the organization with the annual reporting cycle. Benefits will be assessed at the end of 2010 as the organization will then have operated under WINGS II for a full calendar year. The assessment and reporting will be led and coordinated by the Performance and Accountability Management Division (RMP) of the Resource Management and Accountability Department. The Secretariat further proposes that results of the WINGS II assessment be reflected in the 2010 Annual Performance Report.

46.   The main areas where improvements are expected as a result of the 2009 Edition are listed in Annex II.

47.   The Secretariat would like to reiterate its gratitude to the Board and its advisory bodies – the Food and Agriculture Organization of the United Nations (FAO) Finance Committee, the Advisory Committee on Administrative and Budgetary Questions (ACABQ), the Audit Committee and the External Auditor – for their support, engagement and guidance, which contributed to WFP's successful implementation of and transition to WINGS II.

ANNEX I

		WINGS II – MAIN EVENTS REPORTED IN PREVIOUS PROGRESS REPORTS
2005	First half of 2005	Strategy and scoping study undertaken, which recommended a business-led rather than a purely technical upgrade. Approach confirmed by the External Auditor (WFP/EB.A/2005/6-B/1/Rev.1).
	November 2005	Board approved the WFP Biennial Management Plan (2006–2007), which included US$15 million from the Capital Asset Fund to fund WINGS II.
2006	March to September 2006	Analysis phase completed, including definition of the proposed business processes, changes and expected benefits.
	September 2006	Workshops held with field participants to review the proposed changes.
	November 2006	Board approved funding to cover additional scope in three areas: i) necessary functionality identified during the analysis phase; ii) human resources upgrade (originally planned as a later upgrade); and iii) design and implementation of IPSAS-compliant processes and systems.
2007	October 2006 to May 2007	Detailed design completed, including definition of the new business processes, roles and responsibilities and system blueprints.
	June 2007	Business readiness workshop held. Main recommendation was to scale back the first edition to ensure that WFP would not be overwhelmed by the changes, especially in the field, and render the project more manageable and affordable.
	Second half of 2007	Re-scoping and re-design undertaken, substantially reducing project risks while retaining the principal changes and improvements.
2008	January 2008	Re-design work completed and supplier contract negotiations finalized.
	February 2008	Board provided with a summary of the adjusted scope and deferred items.
	June 2008	Board approved US$5 million risk contingency plus US$2.5 million for change requests, including common payroll system for locally recruited field employees.
	October 2008	Board was informed that completing all the work necessary for go-live was posing significant challenges.
	November 2008	The WINGS II Steering Committee concluded that a number of areas were not ready for a January 2009 go-live.
2009	February 2009	External Auditor reported on the preparedness for IPSAS and WINGS II. Secretariat confirmed July 2009 as the go-live date for the 2009 Edition and made a commitment to assess WINGS II benefits.
	July 2009	WFP successfully transitioned to WINGS II, with the new system simultaneously switched on in 159 offices in 91 countries.
	November 2009	Secretariat reconfirmed its commitment to submit a benefits framework to the Board at its 2010 First Regular Session and to provide a timetable and costs for delivering further improvements, including the deferred functionality, at the 2010 Annual Session.

ANNEX II

WINGS II 2009 EDITION EXPECTED BENEFITS AND IMPROVEMENTS	
EXPECTED BENEFITS	**IMPROVEMENTS**
Strengthened information available for decision-making at senior management level Strengthened accountability through improved financial controls and monitoring at all levels of management, including at the country office level Reduced risk of unfunded staff cost variance Reduced time and effort spent on compilation and generation of donor and other corporate reports	Central source of authoritative and consistent information that can be aggregated at various levels of management Introduction of responsibility centres for budgets, expenditures, assets, liabilities and expenses New configuration of staff-cost postings, allowing improved analysis of standard versus actual staff costs Improved management and reporting tools Better definition and documentation of business processes: "who does what" (the e-Guide)
Increased clarity and visibility of relationships between resources, outputs, outcomes and Strategic Objectives	Implementation of the performance planning and monitoring module, allowing WFP to capture data and report promptly on planned versus actual operational output indicators at various levels (project, country, region, global, Strategic Objectives Repository for capturing data on outcome indicators at project level, available to various management levels
Better resource utilization through improved resource requirements and mobilization planning Improved accuracy and integrated corporate access to contribution forecasts Greater management accountability for actual resource consumption compared to forecast	Improved project planning with recording of annual gross requirements Improved capacity to analyse donor trends and preferences and a better-integrated forecasting tool
Faster and wider access to advanced financing facilities, leading to reduction in pipeline breaks and more timely delivery of food aid to beneficiaries	Simpler advance repayment process, allowing faster repayments once contributions have been confirmed, resulting in greater availability of advance facilities Integrated income forecasting and allocation tools, providing better information to support granting of advances
Optimization of global inventory Better information about stock levels Optimization of delivery lead time	Improvements in supply chain management processes to facilitate improved procurement, tracking of commodities by value and management of stocks Consistent supply chain information available quickly to all users, providing for better management of the chain across geographical areas

WINGS II 2009 EDITION EXPECTED BENEFITS AND IMPROVEMENTS	
EXPECTED BENEFITS	**IMPROVEMENTS**
Reduction in the manual work of collecting and consolidating information to support IPSAS-compliant financial reporting	IPSAS requirements embedded in the day-to-day processes and systems: stock information automatically captured in SAP through integration of supply chain systems; improved ability to evaluate accrued employee liabilities; integrated asset accounting made possible
Improved workforce planning, management and reporting through better availability of information related to the entire workforce Strengthened oversight of the decentralized human resources function through real-time visibility of human resources actions and consistency of data across human resources, budget, payroll, finance and travel processes Standardization of human resources terminology and rules and processing of human resources actions Minimal reliance on supplemental systems	Single, global human resources system, replacing various systems Information on global WFP structure and positions provided, regardless of employee category and contract type Better integration of human resources, budget, payroll, finance and travel processes
Reduced costs for processing payrolls for locally recruited field employees Improved controls	Personal Action System portal (PASport) common payroll system for locally recruited field employees: replaces over 50 locally developed payroll tools
Enhanced potential for negotiating reductions in air travel costs Optimized, global picture of official travel	Single global travel system with central reporting, allowing improved monitoring of travel expenses and trend analysis to inform WFP travel policy
Improved clarity and visibility of assignment of responsibility and accountability within the programme	More formal approach to organizational management, with stronger controls on authorizations, linked to job roles and positions

Reduced costs of future system upgrades
 	
Reduced time and effort for implementation of improvements and addition of new features
 	
Easier identification of opportunities for further improvements
 	
United Nations system-wide benefits:
  - reduced costs of SAP projects for other agencies through availability of United Nations functionality in the standard version of SAP
  - opportunity for more solutions and services shared across agencies
	Re-engineering of processes to allow use of a more standardized version of SAP software
	
	Better documentation of solutions (e-Guide)
	
	Improved application integration architecture
	
	More efficient support structure and improved ability to identify common problems and root causes
	
	New SAP-supported functionality developed together with SAP to reflect United Nations rules and regulations, building on a solution implemented by the United Nations Children's Fund

ACRONYMS USED IN THE DOCUMENT

BPR	business process review
CMEA	common monitoring and evaluation approach
COMPAS	Commodity Movement Processing and Analysis System
ERP	Enterprise Resource Planning
FMIP	Financial Management Improvement Programme
IPSAS	International Public Sector Accounting Standards
LES	logistics execution system
PASport	Personnel Action System portal
WINGS II	WFP Information Network and Global System II

WFP