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PROGRESS REPORT ON THE WINGS II PROJECT AND THE FUNDING APPROACH

* 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.

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information.

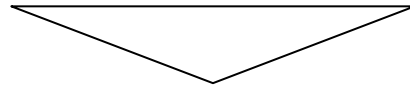
The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

Director, WINGS II Project: Mr C. Nikoi tel.: 066513-2518

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



DRAFT DECISION*



The Board takes note of “Progress Report on the WINGS II Project and the Funding Approach” (WFP/EB.2/2006/5-F/1).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document (document WFP/EB.2/2006/16) issued at the end of the session.



1. The WFP Information Network and Global System, WINGS, was the chief product of the Financial Management Improvement Programme (FMIP). FMIP was established in 1995 to address grave shortcomings in WFP's ability to control its resources and report on their use. Its aim was to replace a variety of disparate and obsolescent information systems with one fully-integrated system that would enable the management of staff, food aid and finances, while guaranteeing financial accountability, cost-effectiveness, control, transparency and real-time reporting.
2. FMIP met its objective. The resulting system, WINGS, went live in January 2001 and has since been rolled out to most of WFP's field offices. It is based on the Systems, Applications and Products in Data Processing software supplied by SAP, integrated with WFP's other systems, including the Commodity Movement Processing and Analysis System (COMPAS) and the Resource Mobilization System (RMS), which records donors' pledges. WINGS was the first such enterprise-wide system in the United Nations. Without it, WFP could not have carried out its programme of decentralization and delegation to the field.
3. Nevertheless, since 2001 WFP has entered new and more complex working conditions. Throughout the 1990s, WFP's annual food purchases had seldom strayed outside the US\$200-300 million range; from 2000 to 2004 they proved considerably more erratic, varying from US\$290 million in 2001 to US\$1 billion in 2004. Similarly, in 2001 WFP supported 1,981 field staff contracts of one year's duration or longer; in 2004 it supported 8,027. Given the increasing volatility of world affairs and the growing likelihood of emergencies, similar sudden variations could be expected in future. Thus, WFP faced new challenges in the areas of planning, administration and reporting.
4. In response, WFP embarked on a series of major business reforms, among them Results-Based Management (RBM), the Common Monitoring and Evaluation Approach (CMEA), and the New Business Model (NBM), including working-capital financing and the single project account. In its current form, WINGS could not fully accommodate these reforms; moreover, by 2003 WINGS's version of the SAP software was no longer supported by the SAP company. WFP was therefore obliged to consider a WINGS upgrade. To this end, the Board approved the allocation of approximately US\$4 million from the Capital Asset Fund (CAF) as part of a package of WINGS-related investments planned for 2004–2005. Of this, US\$2.5 million was spent on new SAP software and technical preparatory work.
5. At first it was assumed that the WINGS upgrade would be purely technical in nature. This assumption had to be revised following the recommendation of WFP's External Auditor in 2004 that WFP instead carry out a business-driven upgrade involving the re-engineering of business processes outside WINGS. The External Auditor found that WINGS's SAP software had been excessively customized to accommodate WFP's business practices, and that if this were not corrected, future upgrades and maintenance would be complex and expensive. WFP's processes should be adapted to industry-standard software, not vice versa. A business-driven upgrade would enable the improvement of systems and overall business performance. It should bring about "a streamlined financial organization and processes supported by simple, flexible, transparent and integrated financial systems, in accordance with currently accepted best practice."¹

¹ Report of the External Auditor on the Upgrade of the WFP Information Network and Global System (WFP/EB.A/2005/6-B/1/Rev.1) par. 31.



6. Consequently, the remaining US\$1.5 million of the 2004–2005 CAF allocation was devoted to a strategy and scoping study, completed in 2005. This study confirmed the need for a business-led upgrade, and noted that many WFP business reforms, including the NBM, the CMEA and RBM, required major changes in WINGS’s accounting structures. For this reason it was felt that these reforms should be implemented under the umbrella of the WINGS upgrade.
7. The WINGS upgrade strategy also had to be re-examined in the light of the United Nations requirement that by 2010 all United Nations bodies conform to International Public Sector Accounting Standards (IPSAS). WFP appointed an IPSAS team to deal with the strategic and policy implications of the new requirement; the WINGS upgrade project was given responsibility for ensuring that WFP’s processes and information systems complied with IPSAS.
8. The strategy and scoping study recommended that the upgrade be implemented in several phased releases. It estimated that the first two releases would cost US\$30 million. A third release to upgrade the human resources systems would cost US\$9 million. It was assumed that COMPAS would continue to perform WFP’s commodity tracking.
9. Accordingly, as part of the 2006–2007 management plan, the WFP Executive Board approved an allocation of US\$15 million from the CAF to launch the new project, to be known as WINGS II. Senior management understood that this sum could not cover the entire upgrade, but hoped that by prioritizing whatever changes were proposed at the end of the process re-engineering stage they could tailor the first release to the available funding.
10. The process re-engineering stage has recently been completed. It identified three new factors affecting the funding of WINGS II:
 - (i) It is now clear that a substantial amount of work originally planned for the second release of WINGS II must be carried out within the first release. This arises from the large number of WINGS I customizations that must either be reversed or modified to ensure operational continuity, and to the high degree of structural change needed to support the evolution of WFP’s business. The estimated cost of this work is US\$5 million.
 - (ii) Senior management now believe that the HR upgrade should take place alongside the first WINGS II release. This will avoid the risk and expense of maintaining two parallel financial systems. It will also enable WFP to move swiftly to an integrated, standard UN version of SAP and allow the organization to extend its HR process coverage to its field-based national staff.
 - (iii) A 2006 External Auditor’s report recommended further development of WFP’s commodity tracking system. Such development must now also incorporate the requirements of IPSAS, which will oblige WFP to have an online tracking application that can support the monetary valuation of stock. This means replacing or extensively reconfiguring COMPAS. It also means carrying out various improvements to infrastructure, such as the extension of connectivity to those sub-offices now without it, which will bring many collateral benefits to the organization. The cost of all this work is estimated at US\$10 million, of which US\$3 million will be incurred in 2006–2007.



11. The overall effect on WINGS II funding is as follows. The total cost of the project is now estimated at US\$49 million, and the shortfall is therefore US\$34 million, of which US\$17 million will be required in this biennium to enable the first release in early 2008. To complete the project, the remaining US\$17 million will be required in the next biennium.
12. WFP plans to fund WINGS II using the same approach it took for the FMIP programme that created WINGS I – that is, through a combination of Programme Support and Administrative (PSA) funding and direct donor contributions. As this project is a WFP priority, further PSA funding is expected in the next biennium. Donor contributions are being sought to cover the US\$17 million shortfall this biennium and to help fund WINGS II releases in 2008–2009. A special account has been created for the WINGS II project in accordance with Financial Regulation 5.1.



ACRONYMS USED IN THE DOCUMENT

CAF	Capital Asset Fund
CMEA	Common Monitoring and Evaluation Approach
COMPAS	Commodity Movement Processing and Analysing System
FMIP	Financial Management Improvement Programme
IPSAS	International Public Sector Accounting Standards
NBM	New Business Model
PSA	Programme Support and Administrative
RBM	Results-Based Management
RMS	Resource Mobilization System
WINGS	WFP Information Network and Global System