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Agenda item 6

*For information**



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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.

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information.

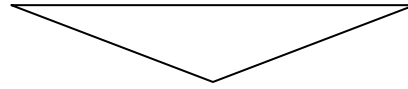
The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

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 “Update on the WINGS II Project” (WFP/EB.A/2008/6-I/1).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document (WFP/EB.A/2008/16) issued at the end of the session.



INTRODUCTION

1. This is the fifth progress report on the WFP Information Network and Global System II (WINGS II) Project submitted to the Board. It updates status report WFP/EB.1/2008/6-E/1, submitted in February 2008.¹

WINGS II OBJECTIVES

2. On the recommendation of WFP's External Auditor (WFP/EB.A/2005/6-B/1/Rev.1), the Board approved a business-led upgrade of WFP's information systems and business processes in October 2005, as part of the WFP Biennial Management Plan (2006–2007). The upgrade project, WINGS II, aims to:
 - introduce industry-standard information systems that are as free from customization as possible, enabling easier and cheaper future upgrades in response to WFP's evolving needs; and
 - redesign WFP's business processes to permit: a) use of industry-standard information systems; and b) essential business reforms, such as the integration of supply-chain processes, the New Business Model and the adoption of International Public Sector Accounting Standards (IPSAS).

CURRENT STATUS OF WINGS II

3. The realization phase for the WINGS II's first release ("the 2009 Edition") is fully underway. Two implementing partners – Capgemini and SAP – are working with WFP to build the new information systems.
4. WINGS II is much more than the introduction of new information systems. It includes a redesign of WFP's business processes, and redefinition and restructuring of roles and responsibilities of some units and staff. The WINGS II programme of work, thus far, has achieved the following four goals:
 - re-engineering of most of WFP's existing processes and introduction of new processes where necessary, or possible, in line with industry best practices;
 - incorporation and integration of various improvement initiatives that were running separately into one comprehensive model for WFP;
 - design of the processes to run on the latest standard SAP enterprise resource planning (ERP) software, with minimal customization; and
 - design of processes that ensure full compliance with IPSAS requirements.
5. The Office of Internal Audit has completed a process audit of WINGS II with a view to evaluating and testing the adequacy and effectiveness of the risk management, control and governance processes related to the project. The audit made several recommendations to enable the project to more effectively manage the realization phase. The WINGS II project has defined an action plan to improve the project's delivery. The plan has been approved by the Office of Internal Audit.

¹ Previous updates to the Executive Board were WFP/EB.2/2007/5-G/1, WFP/EB.A/2007/6-J/1 and WFP/EB.2/2006/5-F/1.



6. Members of the Board were given a status update on the project during an informal presentation in April, which made it possible to address questions and concerns from the membership in a more interactive manner. A similar presentation had been made in May 2007, and the project plans to hold two more informal sessions with the membership during 2008.
7. The 2009 Edition of WINGS II will introduce:
 - re-engineered and clearly mapped processes for WFP, including new roles and responsibilities for some units and staff in country offices, regional bureaux and Headquarters;
 - increased coverage of WFP's processes by the SAP software, with minimal adaptation of the software;
 - change in accounting principles from the United Nations System Accounting Standards (UNSAS) to IPSAS;
 - mainstreaming of the New Business Model and a single corporate system for monitoring the performance of projects;
 - a foundation for further evolution of WFP's requirements, including the ability to support a wider range of activities;
 - an e-learning system for WFP to support self-learning on the new processes, systems and concepts; and
 - a more streamlined application architecture to enable more orderly introduction of new functionality to the WINGS II system through yearly editions.
8. The 2009 Edition of WINGS II will also introduce a network of staff to manage and support future changes to the WINGS II processes and systems as part of their regular duties. Under WINGS II, these staff carried out functional roles such as Business Process Owners, Business Process Experts, Business Analysts, and Solution Architects.

Work Streams

⇒ *Configuration and development*

9. The second part of the configuration of the SAP system has been completed and the entire configuration is expected to be finished and unit tested by June 2008.
10. Development and unit testing of non-SAP programs is being carried out in parallel with the configuration. The programs include interfaces between systems, forms and reports. A corporate project monitoring application will also be built.
11. The roles and responsibilities already defined will be used to configure access rights to the systems for the different WFP roles.

⇒ *Testing*

12. Unit testing is being conducted as part of the configuration and development activities. Between June and October 2008, there will be three cycles of integration testing, followed by user acceptance testing. The integration tests will be used to ensure that the SAP modules and the non-SAP programs are properly integrated and support the new processes. The user acceptance tests will involve selected WFP staff from Headquarters and the field.



13. For the human resources processes, several parallel runs of the current and new payroll systems will be conducted to compare the results.

⇒ *Data cleansing and migration*

14. Between June and October 2008, several progressive “mock loads” will be carried out to test and validate the transfer of data from the current WINGS system to WINGS II. Actual migration of data will take place just before the WINGS II system goes live.

⇒ *Training and support*

15. Training and support material is being developed on the new processes, roles and responsibilities. As testing of the systems is completed, training materials will be developed on how to use the new software.

⇒ *Organizational readiness*

16. Business process owners are planning the activities needed to prepare WFP for “go-live” in January 2009. Organizational readiness activities will include communication to affected staff, updating normative documents and procedures, and assigning staff to new roles.
17. A high-level plan for the realization phase showing all project activities and milestones is attached in the Annex.

New Challenges for WINGS II

18. Unprecedented high global food and fuel prices are posing new challenges to WFP as an organization. The responses required by this new context are expected to demand a high proportion of senior management attention during the WINGS II realization phase, when the project will also require more management attention to resolve and address issues punctually.
19. In addition, it is expected that at the time when the 2009 Edition is to be introduced globally, most country offices will have significantly expanded their operations to cater to a growing need for food assistance; managers in the field could very well have limited time to devote to learning new systems and processes. Given the imperative to roll out the new system, the project team and project steering committee are examining options for addressing the challenges presented by these situations.

SCOPE

20. There has been no change to the scope of the 2009 Edition of WINGS II since the February 2008 update to the Board. The project steering committee, working with the project team, ensured that the scope of the 2009 Edition delivers the most important outputs. These are: upgraded standard SAP software; most of the major improvements, including those that will serve as the foundation for future editions; systems and processes required for IPSAS compliance; improved and simplified information technology architecture; and a corporate learning support system.



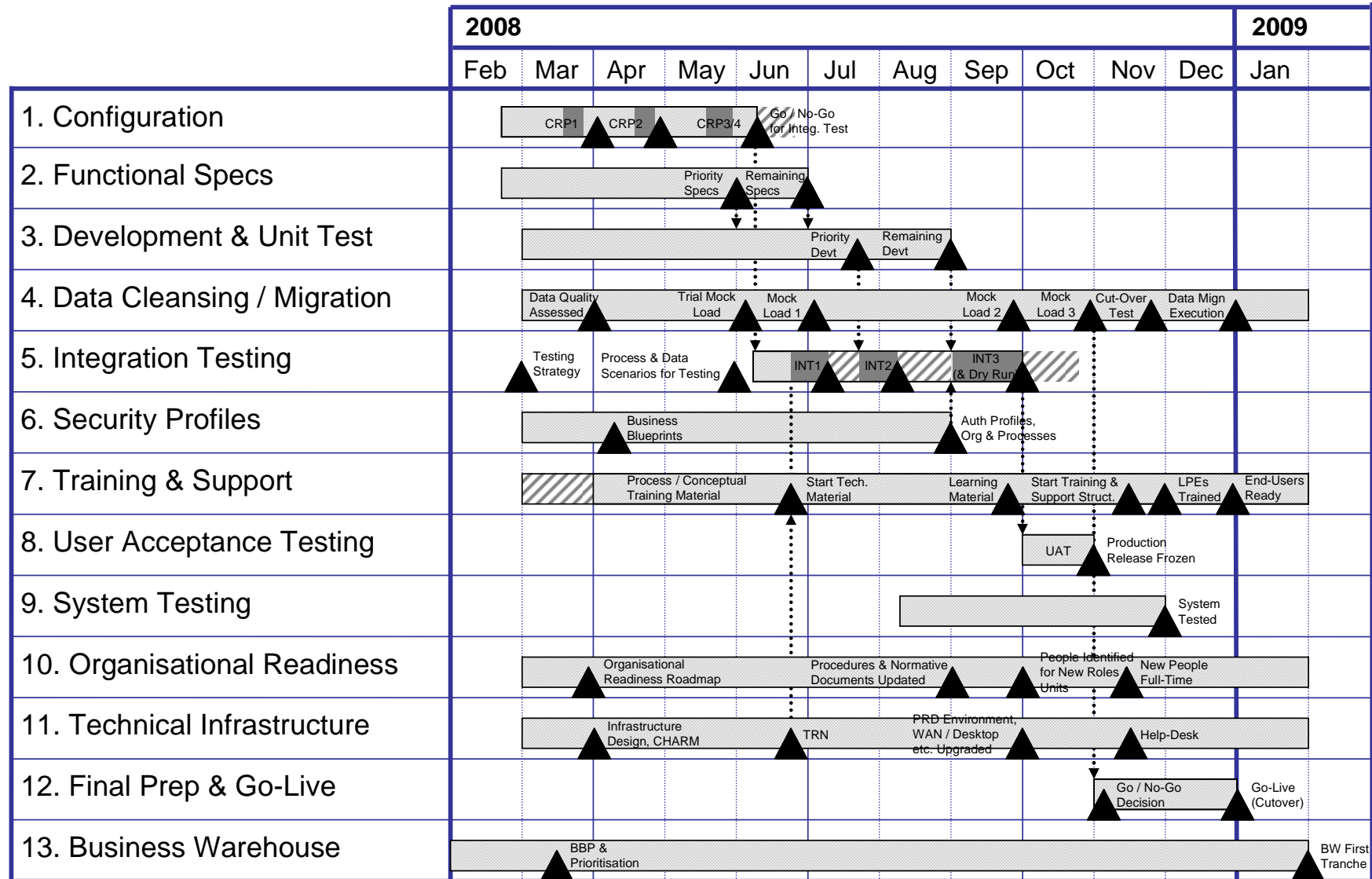
BUDGET STATUS

21. WINGS II was allocated its full budget request of US\$49 million by the Board in June 2007. The amount is made up of a US\$393,700 grant from the Government of Australia; US\$15 million from the Programme Support and Administrative (PSA) budget; and US\$33.6 million from the General Fund.
22. At end March 2008, US\$25 million of the allocated US\$49 million had been spent, with a further US\$13 million of budget commitments having been made for contracts. The commitments and remaining budget will be used to cover: system configuration; software development; systems integration testing; migration of data from the current systems to the new systems; user-acceptance testing; training of end users; and support for the “go-live” launch and the period immediately following it.
23. The WINGS II budget is denominated in United States dollars, yet most of the project’s expenditure is Euro-based. This includes expenses for contracts with implementing partners, server farms, software licenses and specialist consultants/firms. The US\$49 million allocated has suffered significant erosion in value over the past two years because of weakening of the US dollar and strengthening of the Euro. The initial project budget of \$39 million was established at a €US\$ exchange rate of 1.21. The US\$10 million increase in the project budget due to increased scope was done at a time when the €US\$ exchange rates was 1.26. At the time this update was being prepared, the €US\$ exchange rate was 1.56. This represents a 29 percent decrease in the US-dollar-to-Euro exchange rate in two years. Projections are that the US dollar will not strengthen significantly against the Euro during 2008.
24. The project originally estimated US\$38.2 million for contracted services and certain other expenses in Euros. However, as a result of the €US\$ exchange rate change, the same expense items are expected to cost at least US\$44.4 million by the “go-live”, or an increase of at least US\$6.2 million.
25. The €US\$ exchange rate has also had an impact on internal project staffing costs, which had been estimated at US\$6.6 million. However, because of significant increases in standard staff costs, it is now estimated that by “go-live”, the costs to the project for WFP staff will have come to at least US\$9.8 million, or at least US\$3.2 million more than originally budgeted.
26. As stated in the previous WINGS II update to the Board, in order to contain the 2009 Edition within the original US\$49 million budget, the Secretariat has deferred several WINGS II improvements. The deferred improvements do not impact on business continuity, nor do they compromise in anyway WFP’s full compliance with IPSAS. By deferring some improvements, the project has been rendered more manageable, making it easier to introduce the new systems and processes at the start of January 2009. The scaling back of the number of changes to be introduced in the 2009 Edition also helps ensure that the organization is not overwhelmed, especially in the field.
27. Best efforts are being made to contain the WINGS II 2009 Edition within the original US\$49 million. However, an ambitious undertaking like WINGS II always carries a certain risk of cost over-runs. Therefore, purely as a contingency measure, the Secretariat is to ask the Board for a contingency allocation of US\$5 million to be used to cover unexpected cost overruns that may arise. The Board will be apprised of any usage of the contingency allocation. At a future date the Secretariat may seek the Board’s approval for funds to implement the deferred improvements under future editions of WINGS II.



28. During the building and configuration phase of a project as broad as WINGS II, opportunities are likely to be discovered to incorporate high-value changes that were not obvious during the design stage. An example is the payroll situation. Currently, country offices administer over 50 different payroll tools, most of them Excel-based, for running payrolls for the 7,000 service contract (SC) and special service agreement (SSA) contract employees worldwide, which account for 60 percent of WFP's workforce. Several internal audit reports have highlighted the need to improve the tools being used for payroll processing in country offices through standardization of the local payroll application and improvements in access level controls. One of the improvements designed into WINGS II was to centralize the recording of information on all WFP employees.
29. After completing the design of WINGS II, it became obvious that with data on all employees entered in WINGS II, it would be relatively easy to leverage this change to develop a standard payroll processing system for the SC and SSA employees. If delivered in conjunction with WINGS II, the locally recruited staff payroll system (Personal Action System portal (PASport)) will cost US\$1.5 million to implement. This investment will have a pay-back period of two years, and thereafter will provide an estimated annual net savings to WFP of US\$800,000.
30. The Secretariat is asking the Board to approve a US\$2.5 million change request contingency. Of this, US\$1.5 million will be used for implementing PASport. The remaining US\$1 million will be used to incorporate any other relatively low-cost, but high-value, opportunities that might come up, without having to revert to the Board periodically for repeated additional budget allotments.
31. Thus the Board is asked to approve two budgetary allocations to the WINGS II Special Account, for a total of US\$7.5 million:
 - US\$5 million project risk contingency allocation to cover unexpected cost overruns; and
 - US\$2.5 million allocation for change requests (including US\$1.5 million for PASport) to allow the project to promptly incorporate high-value opportunities that arise during the realization phase.

ANNEX: PROJECT ACTIVITIES AND MILESTONES



ACRONYMS USED IN THE DOCUMENT

BBP	business blueprint
BW	business warehouse
CHARM	change request management
CRP	conference room pilot
ERP	enterprise resource planning
INT	integration test
IPSAS	International Public Sector Accounting Standards
LPE	local process expert
PASport	Personal Action System portal
PRD	production (environment)
PSA	Programme Support and Administrative
SC	service contract
SSA	special service agreement
TRN	training (environment)
UAT	user acceptance testing
UNSAS	United Nations System Accounting Standards
WAN	wide-area network
WINGS II	WFP Information Network and Global System II