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# **INFORMATION NOTES**



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## **STATUS REPORT ON THE FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME (FMIP)**

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## OBJECTIVES OF FMIP

1. The Financial Management Improvement Programme (FMIP) was created in 1995 to help address the shortcomings in the capacity of WFP to manage its resources and report on their use. These weaknesses were exacerbated by a rapid increase in the level of WFP's activities, significant changes in the characteristics of operations and growing donor expectations. At the same time, management recognized that WFP's information systems, coming from a previous technical generation, were unable to keep up with the increasing reporting requirements placed on the Programme or to support the organizational decentralization intended. The introduction of more modern information technology (IT) architecture and the telecommunications capability to deliver information was identified as a necessary pursuit.

### Scope of the FMIP plan

2. FMIP was conceived as a collection of integrated long, medium and short-term activities that combined to improve overall financial management both at headquarters and in country offices. The FMIP Plan, structured as follows, was approved in early 1996. Full-scale implementation commenced late in that year.

#### 📌 *Short/medium-term*

- Implement a series of low-cost, tactical information systems and applications to achieve immediate improvements until a new corporate system is introduced.
- Provide operational support to financial management activities in areas of deficiency.
- Strengthen information systems services and enhance support for existing legacy systems, thereby allowing core staff to participate in the development of the new corporate system.

#### 📌 *Long-term*

- Redesign key business processes, and plan, design and implement a strategic information system that is integrated into a whole and that will meet the majority of corporate information needs.
- Provide the technical architecture and information exchange capabilities to support the new systems.

### The corporate information system

3. By mid-1998 all of the short and medium-term activities had been completed. Remaining were the design, development and implementation of the new corporate information system, by far the largest, most complex and most costly component of the Plan.



4. As part of the FMIP Plan, a number of system modules were defined to provide WFP with its new information system. These were divided into two broad categories - Business Systems and Support Systems. The Business Systems cover resource mobilization and programming, project planning and management, and logistics. The Support Systems include financial management, human resources (HR)/payroll, travel and procurement.
5. While initial studies suggested that a commercial software package(s) would likely be the best means to satisfy the Support System requirements, it was understood that the demands of WFP's Business Systems were sufficiently unique that new applications would need to be developed. After evaluating a range of potential applications for the Support Systems, in September 1998 WFP contracted IBM to implement Systems, Applications and Products in Data Processing (SAP) enterprise software for its finance, procurement and HR requirements. SAP payroll and travel administration were subsequently added. In the meantime, work proceeded on the definition of requirements for the Business Systems and, starting in late 1999, contracts to design and then implement these components were also awarded to IBM.

### Current implementation status

6. The early intention was to begin to introduce the Support Systems in early 2000, with the Business Systems to follow later in the year. However, the addition of the payroll and travel components, and the decision to use SAP to the extent possible for the Business Systems, required the implementation approach to be substantially revised. While the benefits of bringing all the main components together into a single implementation effort are clear – superior system integration and ease of future maintenance – the effort has been complicated to the extent that the timeframe for introducing the new systems has had to be extended by several months. The current plan calls for the completion of the bulk of the new system in the fourth quarter of 2000. At present, comprehensive testing is already well along for the greatest part of the new system.
7. While the software is being finalized WFP is also focusing on several areas essential to support the introduction of the systems. In particular:
  - **Data preparation and migration** from old WFP systems, like the WFP Information Systems (WIS) and Financial Systems/Personnel Systems (FINSYS/ PERSYS), to the SAP system. Owing to difficulties encountered in many other major system implementation projects, WFP has placed considerable importance and resources in this area.
  - Preparation of the **physical environment** for the new software (e.g. acquisition and installation of new servers) is largely completed through a joint effort by WFP and IBM.
  - Augmentation of **telecommunications capabilities** to enable the SAP systems, physically located at headquarters, to be accessed from regional and country offices, mainly through very small aperture terminal (VSAT) links, is also well advanced.
  - **Preparation of the organization** to accept the new systems (i.e. staff awareness, job/role assessments, end-user training and post-implementation user support) has been given considerable attention in this period leading up to system introduction.
  - **Field roll-out** preparations. While details of the approach to introducing the new system in WFP's regional and country offices are still being developed, it is envisaged



that the new system will be accessible by the larger WFP country offices during the first half of 2001.

### Enhanced organizational arrangements

8. To help manage this complex undertaking, some enhanced organizational arrangements were put in place during 2000. The key elements of the Plan implementation structure are as follows:
  - FMIP plan implementation is coordinated through a small (three person) Unit that reports to the FMIP Director (who is also Director of Finance and Information Services).
  - To approach the implementation of the several highly dependent activities in a comprehensive manner, a number of operational teams have been established, each with its own coordinator/focal point and work plan. An overall implementation work plan has also been prepared, aimed at bringing the efforts of the various teams together.
  - An Issues Resolution mechanism has been established by the FMIP Director, by which corporate business and organizational issues that emerge as a result of the introduction of the new system are addressed.
  - The FMIP Steering Committee, chaired by the Deputy Executive Director and with members consisting mainly of Directors of the larger stakeholder divisions, provides executive management guidance and sets Plan priorities.
  - The FMIP Budget Oversight Committee oversees both Plan and project budgets and resourcing requirements.
  - The Contracts Committee approves contracting modalities in accordance with WFP procurement policies.
9. In addition, from the time it was established, FMIP has been regularly audited by both the external and internal auditors. The Office of Internal Audit (OEDA) also participates as an active observer in the discussions involving review, analysis and design of business processes as well as in the resolution of business processes during development and configuration. Most recently, OEDA has committed to observing the integration tests of the new system.

### Cost estimates and plan funding

10. The Plan cost ceiling, approved by the Executive Director in 1998 and endorsed by the Executive Board, remains unchanged at US\$37 million. WFP management has given attention to containing costs, particularly in those cases where Y2K concerns have greatly inflated the price of services in the IT sector, and decisions have been taken that have led to a longer than initially planned implementation period.



11. At the end of the 1998-99 biennium a reallocation of certain costs that had been previously attributed to FMIP was made against the Programme Support and Administration (PSA) budget following recommendations of both the Internal and External Auditors. These costs were mainly incurred in support of financial and accounting operations and information systems. Although in direct support of FMIP objectives, and managed within the FMIP scope, the expenditures were deemed to be closer to recurring-type activities. The net result of this reallocation was to free about US\$2 million from FMIP expenditure, which is currently treated as a price contingency within the overall Plan ceiling.
12. In May 1999 the Executive Board agreed to allow the use of General Fund resources to cover the FMIP funding shortfall up to the US\$37 million Plan ceiling. Thus far US\$21.1 million has been raised from a combination of direct donor contributions, WFP resources and interest income generated in the FMIP Special Account. The shortfall of about US\$15.9 million has been covered from the General Fund as previously agreed by the Executive Board.

