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Progress Report on Administrative Information Systems

INTRODUCTION

1. This report provides updated information on progress made with administrative information systems. As requested by the Finance Committee at its 109th session in May 2005, this report provides further information on the scope, benefits and revised cost estimates of the Oracle Human Resources Management System (HRMS) project.

I. ORACLE FINANCIALS AND PROGRAMME PLANNING, IMPLEMENTATION REPORTING & EVALUATION SUPPORT SYSEM (PIRES)

2. Progress with Oracle Financials and Programme Planning, Implementation, Reporting & Evaluation Support System (PIRES) is being made according to the plans for the period February 2005 – January 2006 as reported to the 109th session of the Finance Committee in May 2005.

II. ORACLE HUMAN RESOURCES MANAGEMENT SYSTEM (HRMS)

Objectives and scope

3. The 2000-2015 FAO Strategic Framework identified six Strategies to Address Cross Organisational Issues (SACOs) for improving the way the Organization works: Ensuring excellence; Enhancing inter-disciplinarity; Broadening partnerships and alliances; Continuing to improve the management process; Leveraging resources for FAO and its members; and, Communicating FAO's messages. All SACOs require FAO to capitalise on its major asset: human resources. The Human Resources (HR) reform was launched in 1999 in order to support

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FAO in the achievement of its major strategic objectives and the Human Resources Management System (HRMS) was identified as a key element underpinning the reform.

4. The main business objectives of the HRMS project therefore call for the implementation of a system in support of the reform covering HR management information, performance and career management, HR planning, staff development, new recruitment targets in addition to staff administration and payroll. The HRMS project started in 2002, with the confirmation of the Oracle HRMS and Payroll as the best choice for the implementation.

Identifying Benefits

5. In 2004, the project performed a full review of FAO HR business processes and recommended a number of improvements aimed at exploiting the opportunities offered by new technology and eliminating redundant and non value added process steps.

6. A “Gap Analysis” exercise was undertaken comparing the nature and functionality required of the HRMS system to support the requirements of the streamlined business processes. This exercise confirmed that the Oracle HRMS software will accommodate most of the FAO requirements with only a minor customization effort.

7. However, it was considered that process streamlining was not sufficient to meet all of the project objectives and that a new more effective HR management model was needed. Accordingly, a further study was performed in early 2005 considering the overall HR service delivery approach. The study proposed a more efficient and less costly HR Management Model for the delivery of HR services, fully utilizing the functionality provided by the HRMS.

8. The introduction of new and modern HR management practices supported by the HRMS and the new Management Model will generate benefits and savings, as noted in report FC 108/14 on Efficiency Savings. These benefits will include:

- a) Redirection of HR resources from transaction processing to value-added HR policy strategy, planning and advisory services;
- b) Reinforcement of the role and capacity of line managers in effectively managing their HR resources; (e.g. through Performance Management, HR Planning and HR Information Management);
- c) Redirection of departmental staff resources to programme activities by reducing time spent on HR administrative processes;
- d) A more transparent HR service delivery mechanism held to account through Service Level Agreements between HR service providers and client departments;
- e) Improved access and utilization of HR management information by managers at all levels for strategic and operational decision making. Global Availability of HR management information will improve the control environment and increase transparency;
- f) Enhanced management information reporting, by full integration of Finance, HR and programme data into the common ERP platform;
- g) Improved support to field offices. The availability of HRMS in field offices will greatly improve headquarters-field communications and reduce the time currently spent on requesting and following-up on transaction processing via email or telephone.

The main source of cost savings will be through reduction in HR servicing staff costs. It should be noted that, whilst quantification of the expected savings resulting from introduction of the new HRMS system and HR Management model is subject to more detailed workload analysis, it is anticipated that there will be a reduction in the staff costs associated with the current system for processing human resources administrative transactions.

Project Timeframe

9. The timeframe for the project was provided to the Finance Committee at the 107th session in May 2004, when it was reported that the proposed implementation date for the system was end 2006. The project is being implemented as expected and the implementation date is confirmed as end of 2006.

Project costs

10. The first estimate of project cost was US\$22 130 000 and this was provided to the Finance Committee in March 2003 (FC 102/27).

11. This estimate was provided at the outset of the project, and a more precise estimate, based on project experience to date, was made to the Finance Committee in May 2004 (FC 107/19). This estimate was US\$20 443 000 - a reduction of US\$1 687 000.

12. However, this estimate exceeded by a considerable margin the funds available to the project from the main funding source – payment of arrears from the major contributor. A reduction of project scope to meet the available funding was not considered appropriate, as it would greatly diminish the benefits achievable by the system. Therefore, strenuous efforts have been made during 2004 and 2005 to identify measures to reduce the project costs and find alternative sources of funding.

13. As a result of these efforts, four measures have been adopted to achieve a considerable reduction in estimated project costs:

- **Adoption of the ILO version of Oracle HRMS package:** the original estimate of US\$3 000 000 for customizations has been reduced by US\$750 000 to US\$2 250 000, comprising US\$1 550 000 to cover the cost of bringing forward to 2005 the upgrade of FAO's Oracle Financials applications, which is necessary to take advantage of UN customizations built by Oracle Corporation for ILO, and US\$700 000 on FAO-specific customizations.
- **Transfer of systems development to a low cost location:** FAO is establishing an offshore systems development facility in Bangkok where IT systems development contractor costs are considerably lower than Rome. The expected savings to the project are in the order of US\$750 000.
- **Reduction of project human resource costs:** the project has a number of posts vacant and non-staff human resources are being used to perform the duties of these posts at a lower cost than for staff. The saving is estimated at approximately US\$300 000.
- **Reduction of system demonstration:** the scope and duration of the initial system demonstration and confirmation exercise has been reduced.

Following the introduction of these measures, project costs have been reassessed and the current estimate of project cost is US\$18 224 000 plus US\$1 550 000 for the upgrade of Oracle Financials. Therefore, the overall cost estimate is US\$19 774 000.

Project funding

14. The project currently has four sources of funds, totalling US\$18 868 000:

- a special Regular Programme allotment in 2002-03 of US\$1 157 000
- departmental staff development resources in 2006 of US\$1 232 000 to cover the cost of staff training on the use of HRMS;
- funding from arrears (as reported in FC 109/27) of US\$13 979 000, the balance of which is proposed for carry over to Chapter 8 Capital Expenditure for use in 2006;
- an additional allocation in 2006 of US\$2 500 000 through the Capital Expenditure Facility, as proposed in the PWB 2006-07.

15. The project funding and costs is summarized in the table below. The shortfall of US\$906 000 will continue to be sought through cost savings.

	Actual (US\$ 000's)		Estimate (US\$ 000's)		Sub-total	Total
	2002-03	2004	2005	2006		
FUNDING						18 868
RP allotment	1 157			1 232	2 389	
Arrears funding	286	3 660	7 637	2 396	13 979	
Capital Budgeting				2 500	2 500	
COST ESTIMATES						19 774
Project costs	1 443	3 660	6 087	7 034	18 224	
Oracle upgrade			1 550		1 550	
UNFUNDED COSTS						906

Arrears funding post-2005

16. It is proposed that the unspent balance of arrears at the end of 2005, projected at US\$ 2 396 000, become part of the Capital Expenditure Facility and be carried over to 2006, as endorsed by the Finance Committee in May 2004 and subject to agreement by the Conference.

Ongoing HRMS costs

17. One-off post-implementation costs during the first year of implementation (2007) have been quantified at approximately US\$1 500 000. This includes transition from the project to ongoing support teams, resolution of initial problems, and some parallel processing with the mainframe computer in 2007.

18. Ongoing IT support costs for the HRMS will remain at the same level as the current already reduced support costs for the legacy personnel and payroll systems running on the mainframe computer. This will be achieved by shifting the savings of legacy mainframe computer operational costs to fund the human resources needed for HRMS system administration and application enhancement support

19. Project financial benefits will start to materialise in 2007. While savings will be marginal in the first biennium due to the post-implementation costs they will start to accrue from 2008 onwards.