



SECOND ITEM ON THE AGENDA

Programme and Budget for 2000-01**Treatment of 1998-99 cash surplus**

1. The financial results under the ILO Programme and Budget for 1998-99 are before the Committee under the first item on its agenda at the present session of the Governing Body.¹ As indicated in that document, the biennium ended with an excess of budgetary income over budgetary expenditure of 41,711,581 Swiss francs, or US\$27,262,471 at the budget rate of exchange adopted for 2000-01 (1.53 Swiss francs to the US dollar).
2. The present paper contains the Director-General's proposals for the treatment of this cash surplus taking into account the views expressed by members of the Committee during previous sessions of the Governing Body, notably the 273rd and 276th Sessions (November 1998 and November 1999 respectively), with respect to the information technology strategy in the ILO and the establishment and financing of an Information Technology Systems Fund.
3. In considering the proposals, the Committee may wish to recall the action taken on the two most recent occasions when budgetary cash surpluses have arisen:
 - (a) for the 1990-91 biennium, the Conference decided that 10,324,000 Swiss francs out of a total surplus of 19,369,458 Swiss francs should be retained for investments in communications, information systems, word processing and other systems, including electronic voting for the Conference;²
 - (b) for the 1992-93 biennium, the Conference authorized 21,729,700 Swiss francs out of a total surplus of 24,230,335 Swiss francs to be retained for priority programmes and investments in equipment and information technology.³
4. In both cases it was decided that the remaining balance of the surpluses should be credited to member States.

¹ GB.277/PFA/1/1.

² 79th Session, June 1992.

³ 81st Session, June 1994.

Information Technology Systems Fund

5. In November 1998, the Committee considered a document on information technology in the ILO,⁴ which was submitted at the request of the Workers' group. The document referred to the role of information technology and use of the Internet and associated technologies in communications with and information flows to the Organization's constituents, the promotion of its global activities and its internal functioning. The document also described new applications of potential interest to persons associated with the work of the Organization and to the public at large, and mentioned a number of future applications under development or consideration.
6. During the Committee's discussion, members stressed the importance of information technology and the need to keep abreast of developments in this rapidly evolving field. Various suggestions were put forward on the way in which such efforts could best be financed, including the view expressed by members of all three groups, that it would be appropriate to meet such costs over a number of biennia through a fund established for this purpose.
7. The Director-General believes that this view is sound. As his representative (the Treasurer and Financial Comptroller) recalled during the Committee's discussion, the traditional practice of the ILO had been to finance significant investments in information technology through the regular budget, where they might cause a one-time increase. This practice was no longer feasible because the budgetary and financial constraints faced by member States had led the Organization to adopt a budgetary policy of zero real growth. Thus, it was now extremely difficult to finance major investments in information technology in a period when technological developments made such investments increasingly important.
8. The Director-General accordingly proposes the establishment of an *Information Technology Systems Fund* to finance the procurement and development of major information technology systems (hardware and software), covering both new systems and the replacement and upgrading of existing systems. Hardware and software needs for minor information technology systems would continue to be provided for in the programme and budget under the sectors concerned.
9. The Fund would be established with an initial capital of 38,250,000 Swiss francs (US\$25 million at the budget rate of exchange adopted for 2000-01), transferred from the 1998-99 cash surplus and placed in a special account. It could be maintained by regular payments through the programme and budget (item 290 – Other Budgetary Provisions), commencing in 2002-03 and through any savings in future regular budget appropriations for information technology. The Director-General would ensure that such payments did not raise the overall level of the budget in real terms. He would report at regular intervals to the Governing Body, through the Committee, on the use of the Fund.

Upgrading of financial systems

10. The Director-General proposes that the first major activity to be financed from the Information Technology Systems Fund would be the upgrading of the financial systems.
11. During its discussion of information technology at the 273rd Session (November 1998) of the Governing Body, the Committee also addressed the need to replace the ILO's existing

⁴ GB.273/PFA/6.

financial systems. These systems are approaching the limits of their sustainability in that they are old, inflexible and difficult to integrate with other systems. They also operate on multiple platforms, fragment data storage, lead to duplication of data entry, require cumbersome manual processes and use outdated computer languages for which support staff skills are scarce and expensive. The background document before the Committee⁵ outlined the findings of a study undertaken to examine the scope of a possible project to replace the financial systems, to propose a methodology for such a project and to estimate the costs involved.

12. Members of the Committee who took the floor during its discussion expressed support for new financial systems. Taking account of this reaction, the Director-General has pursued his examination of the issues involved and now submits his conclusions and revised proposals.
13. The starting point for the replacement of these systems would be a comprehensive review of senior management's strategic information needs in budget, finance and related areas and of the systems and processes (including modern budgeting methods) required to provide such information. State-of-the-art integrated software packages would be used, special consideration being given to packages already adapted or being adapted to meet the specific requirements of international organizations.
14. The major components of the new systems would be budgeting, budget implementation, financial reporting, general ledger, accounts receivable, accounts payable, treasury and cash management, payroll, procurement and property systems and travel. The new systems would interface with human resources systems.
15. The benefits of the new systems would be the improved quality, availability, reliability and timeliness of the data needed to support decision-making and performance monitoring; greater efficiency through the provision of powerful user-friendly information technology tools; the reduction of duplication in the capture of data; and the provision of effective means of upgrading the system over time, which would increase its flexibility and lifespan.
16. The duration of the project would be just under four years, and its cost is estimated at some US\$20 million.
17. A more detailed description of the proposed financial systems project is provided in Appendix I to this paper.

Further remarks

18. In putting forward the above proposal, the Director-General is well aware of the problems and risks inherent in systems projects of such magnitude. He believes that some of the problems and risks can be avoided by estimating costs on a realistic basis and making provision for adequate financing from the outset. In addition, it would be his intention to forestall difficulties as far as possible by ensuring that:
 - (a) the project enjoys the full and continuing support of senior management and systems users;

⁵ GB.273/PFA/6.

- (b) there is a rigorous project planning and control mechanism geared to short and attainable phases of implementation in order to maintain vitality and ensure adherence to timetables;
- (c) clear and firm criteria are established and followed for the conversion of project elements to operational status.

19. The Office is following with interest the projects envisaged or in progress in other agencies of the United Nations system which face the need to renew existing systems. It intends to maintain close contact with these organizations with a view to exchanges of useful information and coordinated approaches to similar needs.

Other uses of the Information Technology Systems Fund

20. Other potential major system applications currently identified that could be financed from the Fund are –

- (a) enhancements to the human resources information system;
- (b) replacement of the bibliographic management system;
- (c) development of an electronic document management system, including a comprehensive environment for knowledge management;
- (d) development of a virtual private network;
- (e) establishment of videoconference facilities.

21. Further information concerning these applications is provided in Appendix II.

Conclusion

22. The cost of the proposals contained in this paper for financing from the 1998-99 cash surplus of 41,711,581 Swiss francs amount to 38,250,000 Swiss francs (or US\$25 million),⁶ which would leave a balance of 3,461,581 Swiss francs available to reduce member States' contributions in accordance with the provisions of article 18.2 of the Financial Regulations.

23. The use of the 1998-99 cash surplus for the purposes proposed would require the adoption by the Conference, as an exceptional measure, of a resolution waiving the provisions of Article 18.2 of the Financial Regulations.

⁶ For the purposes of this presentation, the proposals are expressed in US dollars calculated at the 2000-01 budget rate of exchange (1.53 Swiss francs to the US dollar). The 1998-99 cash surplus being Swiss-franc based, its actual US dollar value and the actual US dollar cost of the proposals will be governed by the United Nations monthly accounting rates of exchange prevailing during the period of implementation. Thus the dollar estimates should be regarded as provisional and the Swiss franc costs as definitive amounts.

24. The Committee may therefore wish to recommend that –

- (a) the Governing Body propose to the 88th Session (June 2000) of the International Labour Conference that, as an exceptional one-time measure and in derogation of article 18.2 of the Financial Regulations, the 1998-99 cash surplus of 41,711,581 Swiss francs (equivalent to US\$27,262,471 at the 2000-01 budget rate of exchange of 1.53 Swiss francs to the US dollar) be used in part to finance the establishment of an Information Technology Systems Fund, and that it adopt a resolution in the following terms:**

The General Conference of the International Labour Organization,

Noting that for the 1998-99 biennium an excess of regular budget income over regular budget expenditure has resulted in a cash surplus of 41,711,581 Swiss francs (equivalent to US\$27,262,471 at the 2000-01 budget rate of exchange of 1.53 Swiss francs to the US dollar);

Decides, as an exceptional one-time measure and in derogation of article 18.2 of the Financial Regulations, to finance the establishment of an Information Technology Systems Fund in an amount of 38,250,000 Swiss francs (US\$25 million) from the cash surplus;

Notes that, taking into account the above appropriation, the amount available under article 18.2 of the Financial Regulations for reducing the assessed contributions of member States will be 3,461,581 Swiss francs.

- (b) subject to the decision of the International Labour Conference on the treatment of the 1998-99 cash surplus, the Governing Body –**
- (i) approve the establishment in a special account of an Information Technology Systems Fund with an initial capital of 38,250,000 Swiss francs; and**
- (ii) approve the upgrading of the ILO's financial systems, which would be financed to the extent of US\$20 million from the Information Technology Systems Fund.**

Geneva, 7 March 2000.

Point for decision: Paragraph 24.

Appendix I

Financial systems upgrade project proposal

Weaknesses of the existing systems

- The existing systems have become inflexible after having been repeatedly modified to meet changing requirements.
- The systems operate on multiple platforms, storage of data is fragmented and there are difficulties in meeting reporting demands.
- Further modifications are becoming increasingly complex because of the difficulties in interfacing with other systems.
- Potential improvements in the financial and administrative procedures of the Office are hindered by the inflexibility of the current systems.
- Lack of integration results in the need for duplicate entry of data.
- Lack of an integrated payments system results in cumbersome manual processes; the computer languages used in the existing systems are outdated, and the skills required to support the systems are becoming increasingly scarce and expensive.

Project scope

This project is not simply an information technology project. It is a business process re-engineering effort accompanied by the implementation of information technology systems solutions to meet the demands of the improved business processes and to provide the capability to apply modern budgeting methods. This approach is expected to provide horizontal and vertical integration of both processes and information management.

This proposal is based on selecting and implementing state-of-the-art, integrated package solutions. Where appropriate the project would limit itself to integrating with existing systems, or acquiring and interfacing specialized packages. Relevant experience in other agencies of the United Nations system would be taken into account.

The major components of the system would be the following:

- Budget formulation.
- Budget implementation.
- Financial reporting.
- General ledger.
- Accounts receivable.
- Accounts payable.
- Treasury and cash management.
- Payroll.
- Procurement and property management systems.

- Travel.
- Coordination with human resources systems upgrade project.

The scope of this project does not include enhancing or replacing existing human resources systems. However, as a significant number of finance business processes are closely linked to human resources processes (in particular, payroll and the budgetary implications of recruitment and contract matters), this project would be integrated and closely coordinated with the existing and future human resources systems upgrade project.

Benefits of the project

The introduction of modern business processes and new integrated financial systems would bring the following benefits to the Organization:

- **Improved information quality and availability.** The new systems would allow improved decision-making based on better and more timely information accessible to all users. Information would be available to meet strategic budgeting requirements as well as operational needs.
- **Providing clear methodologies and tools for financial control.** The project would seek to provide users with automated tools to improve the efficiency and effectiveness of financial management.
- **Establishing value added processes.** The new systems and processes would provide data to support the monitoring of performance required by strategic budgeting and eliminate any redundant procedures.
- **Enabling rapid data capture, validation and information dissemination.** Modern integrated systems would provide users with all the information required to accomplish their tasks and promote user confidence in the integrity and reliability of the data.
- **Reducing data replication and data entry.** Data would be entered once and be available to the appropriate users throughout the system.
- **Providing for the future growth of the Organization.** The new systems would provide flexible tools to capture data while supporting adaptive technologies to evaluate performance against the Organization's current and future strategic objectives.
- **Maximizing system lifetimes and reducing support risks.** The new systems would provide an effective means to upgrade technologies over time while removing the distinction between the field and headquarters in terms of common automation support and system capabilities.
- **Empowering staff and providing for enhanced skills development within the Organization.** The new systems would empower users by having both the information and the capabilities to make fast, informed decisions through access to information and tools previously unavailable.
- **Providing powerful, user-friendly information technology tools.** The systems would provide for effective, intuitive workflows and ease in recording, revising and monitoring data.

Project plan

The project would have five distinct phases. The detailed tasks and deliverables for each stage of the project would be refined as detailed analyses and user requirements were generated during the initial phases of the project.

Phase 1. Project establishment – six months

During this phase of the project the two primary objectives would be to organize the project and to recruit the core project team.

The outputs of this phase would be to –

- finalize project governance;
- appoint a project manager;
- recruit internal and external staff for the project;
- train project staff in the use of project management tools and techniques;
- finalize basic decisions on scope and the use of consultants.

Phase 2. Business process redesign – nine months

Process redesign includes three distinct activities. Decisions would be made as to which business processes would be reviewed. Analysis of these processes would be undertaken and improvements defined accordingly. The revised processes would then be documented and implemented. The approved redesigned processes and procedures would be implemented to the extent possible with current information systems.

The outputs of this phase would be to –

- document redesigned business processes;
- document detailed user requirements for the evaluation of systems solutions.

Phase 3. Systems solutions evaluation – six months

The primary objective of this phase would be to evaluate and select the systems solutions required to support the re-engineered business processes. This phase would include a “request for proposal” (RFP) for both the software solution and implementation partner consultants.

The outputs of this phase would be to finalize –

- the contract with software provider;
- the contract with the implementation partner consultant.

Phase 4. Systems solutions implementation – 21 months

After identification of the appropriate software solution, work would be undertaken to specify the system configuration and modifications to the software to match ILO needs and to define any required interfaces. The documented business processes would be revised, where necessary, to bring the procedures into line with the final software solution. A period of development and testing would follow, which would include the preparation of user system documentation and training materials. The final step in this phase would be the transition from the old systems to the new integrated solution.

The project would follow a phased implementation approach. Thus, major components of the system would be implemented successively so that the benefits can be realized as rapidly as possible. The implementation plan for each system module would be finalized during the early part of this phase.

The outputs of this phase would be to –

- finalize the phased implementation project plan;
- document detailed user procedures, training guides and system manuals;
- reconcile the results of conversion;
- provide post implementation support facilities (help desk, training, etc.);
- implement the system maintenance plan.

Phase 5. Project completion – one month

During this phase, maintenance of the system would be turned over to the users.

The outputs of this phase would be to –

- obtain senior management acceptance and approval of the system;
- deliver the project report on “Lessons Learned and Future Action”.

Total project duration: 43 months

Project budget

The proposed budget, based on the advice received from external consultants, follows:

Expense category	Total cost (US\$ million)
Personnel	6.5
Implementation consultants	6.0
Travel	0.1
Training	1.8
Other contractual services	0.6
Hardware and software	5.0
Total	20.0

Personnel

Includes officials and external collaborators working directly on the project.

Implementation consultants

Provides for implementation consultants to advise the ILO on the most effective ways to rapidly and successfully implement the chosen software solution.

Travel

Includes costs for travel of headquarters and field staff during the information gathering (phase one) and development phases of the project.

Training

Includes training of field and headquarters staff in the chosen software solution and the development of materials to train users at headquarters and in external offices.

Other contractual services

Includes the hiring of consultants for the business process re-engineering design (including change management) and for the resolution of technical issues where external expertise is required.

Hardware and software

Covers the cost of all software and hardware required to support the project and to provide the required production platforms at all locations.

Project governance

A key feature of the project would be user involvement and commitment at all levels. Senior management participation in the project would be ensured through membership of the steering committee, and users from all other levels of the Office would exercise critical roles in all phases of the project.

The major components of project governance would be the following:

Steering committee

The steering committee would be responsible for the overall project management and would be chaired by the Treasurer and Financial Comptroller. The Director-General would periodically report on the status of the project to the Governing Body through the Programme, Financial and Administration Committee.

Project working group

The working group would be responsible for day-to-day project management and would be chaired by the Director of Finance.

Task forces

Individual task forces would be established for different phases of the project. Task forces would have a functional orientation and would include field and headquarters staff from the related functional areas.

Risks

Significant risks are inherent in any project of this type and complexity. There are numerous examples in the private and public sectors of similar large-scale projects failing. Such “failures” include the following:

- **Implemented system does not meet user needs.** This occurs when the project does not have sufficient user involvement throughout the project;
- **Project exceeds budget.** Experience in the government and private sectors show conclusively that the investment required to adapt and use information technology packages is much higher than expected.
- **Project exceeds planned time-frames for implementation.** Exceeding planned time-frames usually occurs where the system sponsors (senior management) have not exercised sufficient governance over user commitment to the project and project management.
- **Project automates old business practices that do not meet the changing demands of the business.** Most organizations have never before undertaken a change of such magnitude in

their business processes or computer systems, and underestimate the effort required on the part of the user community to deal with changes in organizational culture and major issues.

Critical success factors

The Office has identified the following critical success factors as key requirements to eliminate or at least mitigate the risks inherent in a project of this nature and scope:

- The project must enjoy the full and continuing support of senior management and users. The success of any project of this nature can be attributed to one factor – the early and high level of user commitment.
- There must be dedicated availability of the right internal resources and a sense of user “ownership” of the project.
- Reasonable estimates must be made of the time and resources required.
- Adequate funding must be ensured for the entire project at inception.
- A rigorous project planning and control mechanism geared to short, attainable phases of implementation is essential to maintain the vitality of the project and ensure adherence to timetables.
- The project must allocate adequate time to review processes.
- Production data communication capabilities and infrastructure must be in place to ensure effective worldwide exchange of data.
- The project must maintain effective communication with *all* users from inception of the project through implementation.
- The project must have definitive criteria for converting from project status to operational and maintenance status.

Appendix II

Potential uses of the Information Technology Systems Fund

- (a) PERSIS is the Office's current human resources information system, which became operational in 1995. While it is a significant improvement on previous manual/semi-automated systems, it is designed primarily to automate the processing of and reporting on basic personnel transactions. It is not a user-friendly tool, does not enable worldwide access to a centralized database and does not provide sufficient functionality to support the new human resources strategy (e.g. career development and succession planning; recruitment management; competency development; and job evaluation/classification). To address these areas of concern, a study of PERSIS operations has been initiated by the Human Resources Development Department. Its primary objective is to identify, cost, prioritize and propose the implementation of necessary improvements to PERSIS in the short to medium term. In addition, and in cooperation with the financial systems upgrade project, a survey of different strategies adopted by the UN and other international agencies (e.g. WFP, UNHCR, World Bank) will be conducted with the objective of evaluating and recommending an alternative approach to integrating human resources with finance considerations in an overall systems solution. The PERSIS study and survey of alternative strategies will be completed shortly.
- (b) Replacement of the 20 year-old bibliographic management system (MINISIS). This system, which is used to support critical operations such as the CISDOC, LABORDOC and NATLEX databases, lacks essential functions and is difficult and costly to maintain, since it uses software that is no longer supported by the vendor and runs on non-standard hardware. New software, incorporating modern standards and technologies, would make it easier for clients to use ILO information, permit the development of new digital services, increase the audience for ILO flagship databases, and facilitate worldwide collaboration and knowledge-sharing with other organizations.
- (c) Development of a comprehensive Office-wide system to implement electronic document management, archival and workflow applications. This electronic document management system (EDMS) would form a secure distributed repository of documents of all types: text-processing files, spreadsheets, publications, e-mail, correspondence, web pages, scanned papers from the ILO archives, images, audio material and video material. Under defined conditions, ILO officials, both at headquarters and in the field, would be able to contribute to the EDMS and to search for and retrieve documents using a simple web-based interface. EDMS would also streamline the production and dissemination of documents while providing the essential foundation for the implementation of knowledge management in the ILO.
- (d) Upgrading of the communications infrastructure, both at headquarters and in the field, to a virtual private network (VPN) over the Internet so that sensitive data could be incorporated and transmitted in a secure manner. Through the use of VPN technology, a cost-effective wide area network would be developed to allow data and hardware to be shared by ILO offices worldwide in order to maximize the use of the Organization's investment in information technology. Such a network would improve productivity, communications and information management and would also result in greater standardization of hardware and software.
- (e) Establishing Internet-based desktop videoconferencing in countries where adequate Internet connections exist.