



THIRD ITEM ON THE AGENDA

**Information Technology Systems
Fund Project IRIS**

1. As reported to the Governing Body in November 2003, the budget of Project IRIS has come under increased pressure. In the light of project requests for budget increases, and in order to confirm senior management understanding of the cost, scope and options of the project, the Director-General commissioned an independent assessment of the project's situation, as reported in document GB.289/PFA/3.¹ The review was started in February and the report has just been completed. The Office has been carefully and intensely reviewing its findings and recommendations.

**I. Main findings and recommendations
of the external review**

2. The main findings of the external review are as follows:
 - (a) The current design of IRIS is technically sound and will replace systems that are vulnerable to failure and incompatible with best business practices. In addition, it contains features that will integrate strategic budgeting with finance, project management, human resources and payroll. This added functionality is rare in the United Nations system and will allow the ILO to have a truly integrated information system with modern business processes that support results-based management.
 - (b) The progress of the project to date is mostly good in terms of the design and development of the technical solutions. Nevertheless, weaknesses have been identified in the way in which the project interfaces with its future user community. As the project approaches the next stages towards implementation, adjustments are now required to ensure successful completion of the project. Most importantly, changes must be made to ensure that organizational readiness is fully addressed. As a result, project strategy, budget and timeline need to be revised to facilitate the significant changes to be implemented at technical, business process and

¹ Review conducted by Paul van Essche, independent consultant specialized in information management strategy and projects. Prior experience with UNHCR, UNDP, WHO, other international organizations and the private sector.

people-related levels. The objective is to ensure not only the acceptance of IRIS but also the capacity for its optimal use.

- (c) Despite the technically sound nature of the project design, the costs of IRIS have been underestimated. The provision of results-based management and performance budgeting has added to the complexity of an already large project scope, and the extent of its requirements for an appropriate integration into the organization were not fully appreciated and planned for at the outset. Most importantly, the essential areas of communication, organizational change and staff development were not fully planned for.
3. Beyond these findings, the external review provided specific recommendations to orient the project as it moves from a technical building phase into one of implementation, including testing, training and ensuring smooth transition. The recommendations included the need to strengthen some areas of the project team, to carefully evaluate infrastructure and production support options, but most importantly to revise project governance. The latter included the nomination of a single project sponsor, the replacement of current governance structures with a project board and a stakeholders' committee, and the creation of a project charter that would redefine the roles, responsibilities and relationships of these entities and individuals.
4. The review recommended that the IRIS system be stabilized in headquarters before being rolled out to the regions.
5. The review also strongly recommended that a "total cost of ownership" study be performed in order for the ILO to understand completely the longer term cost implications of running IRIS, deducting savings from the decommissioning of old systems and the redeployment of existing information management resources. The review emphasized that the IRIS budget takes the ILO only as far as implementation and handover of the new solution.
6. Finally, the review included a full evaluation of the possible project strategy options, which revealed that dropping any part of the integrated system at this late stage would drastically reduce usefulness with little cost advantage, and introduce new risks and additional costs due to keeping the outdated mainframe computers operational and interfacing with them.

II. Project cost

7. Taking into account the cost factors described below and the exchange rate changes, the restated cost of the project is approximately US\$40 million. This continues to compare favourably with other United Nations organizations implementing similar projects.
8. The project review warned that there will be additional transition costs of approximately US\$2 million (support from the project team for up to three months after go-live), and that a project of this nature should include a contingency reserve of at least US\$2.5 million.
9. The restated resources available to IRIS, taking into account exchange rate adjustments and interest payments, are US\$35.4 million. There is thus a shortfall of approximately US\$5 million up to a November go-live date.
10. The major factors contributing to cost increases, other than exchange rate losses, include increases in overall requirements of the system, as confirmed after the "conference room pilot" design exercise in September 2003, the integration of the strategic management and budgeting modules into the scope of the project, the recovery of losses due to overruns on

specific project tracks, and additional support for change management, such as user education and training.

III. The Director-General's conclusions

The need for IRIS

- 11.** IRIS is essential to a more effective ILO. The results-based structures and procedures introduced by the Director-General depend on Office-wide transparency, real-time data, and accountability for effectiveness and efficiency. The initiative on strengthening management which he launched in early 2003 has confronted diverse obstacles which reveal the urgent need to underpin processes and decision-making with the appropriate information systems. As a modern, integrated system, IRIS is a tool that significantly enhances the capacity for management reform.
- 12.** Without IRIS, the ILO remains dependent on outdated systems subject to exponential risk of failure. Manufacturers' support has already been withdrawn once from the ILO's increasingly outdated mainframe systems, and the next time this happens there may be no interim solution for accounting, payroll and other essential functions, many of which date back to the 1970s.
- 13.** The Director-General agrees with the conclusions of the review in that IRIS is unique in the United Nations system and has the potential to reap far greater rewards than the rationale for its creation would have predicted. The full implementation of the project goes well beyond the replacement of outdated and vulnerable financial computer systems and the automation of administrative business processes. In fact, by providing an integrated solution, it brings to the ILO the quantum leap required for the Organization to effectively plan, manage and account for the core activities that make up the execution of its mandate in accordance with the increasing demands for real-time information, knowledge management, accuracy, transparency, accountability and reliability of its business processes. To this extent, IRIS is fundamental for a significant management reform of the Organization and to meet the highest standards of service internally and externally.
- 14.** The most significant added value of IRIS lies in its integrating function, linking the various business processes and operations in the ILO and therefore making available the appropriate base of interlinked information needed for sound management decisions. This is also the source of its complexity and the reason for considerably higher requirements in terms of absorption capacity and institutional preparedness than originally foreseen. Consequently, for IRIS to realize its full potential and effectively underpin an overall change in the way the ILO conducts its business, much greater effort has to be devoted to the full understanding of its scope and impact throughout the Organization, to the training of the community of users and to the continued support to such users.

IRIS funding

- 15.** Finding solutions to a budgetary problem of the magnitude identified above raises a major challenge. There is an immediate need to provide adequate funding for IRIS, so as to ensure full functionality while minimizing risks in areas such as user acceptance. At the same time, the ILO should not sacrifice commitments found in the Programme and Budget for 2004-05.

16. As indicated above, there are already exchange rate and interest gains on resources allocated to IRIS. The established practice is that exchange rate gains and interest are used under the approved allocation (exchange rate losses are similarly absorbed under the approved allocation, as has previously been the case with IRIS).
17. Further, the IMEC governments proposed in November that resources under the “management challenges” item of the 2000-01 surplus be utilized for IRIS in case of need. An analysis of this proposal is under way, in particular to face the demands for training of managers and staff on IRIS. Furthermore, an analysis of all existing resources in terms of their linkages with IRIS should yield further funds.

Actions taken to improve project governance and control costs

18. After consultation and consideration of the findings and recommendations of the external review, the Director-General has moved quickly to address the identified weaknesses in the management structure of the project. He has appointed Executive Director, Ms. Sally Paxton, as Senior Executive Project Sponsor, who represents the user community, with the responsibility of overseeing the effective implementation by all concerned of the key recommendations of the independent assessment commissioned by him, as well as the establishment of a project board and a reformed stakeholders’ committee. These revised governance structures will provide clear lines of responsibility and authority to best ensure that IRIS will successfully meet its objectives. The steps being taken should ensure that deadlines are met, that costs are strictly controlled, that the user community is fully involved, and that decisions required to move forward are taken quickly and authoritatively.
19. In addition, the internal structures will be strengthened where needed, particularly with respect to the change management functions, to ensure that the user community is fully educated and trained on the system. The timeline has been extended not only to finish the technical solution, but to provide the necessary time for testing, training and transition work that will ensure complete knowledge transfer from the project team to future users, and to prepare staff for the significant procedural and system changes. In addition, as recommended, the rollout of IRIS to the regions will commence once the implementation of the system has stabilized at headquarters. This will minimize the operational risk of simultaneous change and ensure a smoother and more effective transfer to the regions. Other decisions include the freezing of design work and a complete analysis of necessary support, including outsourcing options for the technical infrastructure and user support.

Geneva, 16 March 2004.

Submitted for information.