Pan American Health Organization

World Health Organization
REGIONAL OFFICE FOR THE **Americas**

**EIGHTH SESSION OF THE SUBCOMMITTEE
ON PROGRAM, BUDGET, AND ADMINISTRATION
OF THE EXECUTIVE COMMITTEE**

Washington, D.C., USA, 19-21 March 2014

**PROJECT FOR THE MODERNIZATION OF THE
PASB MANAGEMENT INFORMATION SYSTEM (PMIS):
PROGRESS REPORT**

Introduction

1.   Pursuant to the instructions of the 50th Directing Council of the Pan American Health Organization (PAHO) in 2010, the Pan American Sanitary Bureau (PASB) launched a project to modernize the PASB Management Information System (PMIS). Subsequent progress has been reported to several Governing Bodies meetings.

2.   This report presents the progress on the work being done on this project.

Background

3.   The PMIS will play a critical role in providing effective support for delivering technical cooperation to Member States.

4.   The advent of the Global Management System (GSM) of the World Health Organization (WHO) prompted PASB to reexamine its own systems to determine the extent of modernization that would best serve PAHO. In 2009 and 2010, PASB developed guiding principles for modernization; reviewed, improved, and documented its business processes; analyzed numerous options for modernization, including the implementation of the GSM, and the relevant costs of each of these options; and submitted recommendations to PAHO's 50th Directing Council.

5.   In response, the 50th Directing Council adopted Resolution CD50.R10, Modernization of the PASB Management Information System. This resolution included several key provisions: *a)* approval of the guiding principles for modernization; *b)* authorization to proceed with the adoption of Enterprise Resource Planning (ERP) software, which would be independent of WHO and with limited customization, while remaining aligned with WHO's GSM and responding to all its requirements; and *c)* approval of funding sources.

6.　　The scope of the modernization project includes systems that support planning and budget, human resource management, payroll, financial management, and procurement services.

7.　　The overall budget for the project, as approved by the 50th Directing Council, is US$ 20.3 million,[1] of which $10.0 million may be funded from the Holding Account.

8.　　On 19 February 2013, the PASB Director put the PMIS project under the Office of Administration and identified the Director of Information Technology Services (ITS) as the internal lead for the project. Consequently, the project's governance, management, and charter were revised.

9.　　On 25 April 2013, a formal Request for Proposal (RFP) was issued to identify a Tier II[2] ERP software package that would satisfy most of PAHO's business requirements. The project team identified the Workday ERP as the best fit overall as the ERP for the Organization.

10.　　PAHO signed the contract with Workday on 30 September 2013, just five months after the RFP was issued. The contract negotiations resulted in better contractual conditions for PAHO and savings, compared to the original quote, of an excess of $900,000 over the duration of the contract.

Progress update since the 153rd Session of the Executive Committee

11.　　On 30 October 2013, PAHO signed a contract with Tidemark to provide the planning and budgeting module which will integrate closely with Workday.

12.　　Between October and December 2013, PAHO finalized the scope of work of the system integrator, Collaborative Solutions. The contract with Collaborative Solutions was signed on 17 December 2013.

13.　　Between October and December 2013, PAHO also engaged in a competitive Request for Proposal for change management services. The winner of the RFP (Cutter Consortium) signed a contract with PAHO on 19 December 2013.

14.　　Following a competitive hiring process and an RFP for project management services, PAHO finalized the external project manager contract in early January 2014. The external project manager, who has experience with implementing the Workday ERP software, was hired as of 1 February 2014.

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[1]　Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

[2]　Tier II ERP vendors sell ERP products and services designed specifically for Tier II (mid-market) companies with annual revenues ranging from $50 million to $1 billion. Tier II companies may have a single facility or multiple facilities. Tier II ERP products generally are of medium complexity: they address all the application needs of a larger company, but with less complex products. Tier II ERP products have a lower cost of ownership than Tier I ERP products, annual fees are lower, and they are easier to implement and support.

15.   Having signed all major contracts for the project, PAHO updated the budget forecast. The revised budget projection can be found in the Annex.

16.   Effective 27 January 2014, the Interim Director of Administration appointed PAHO's Chief Accountant as the new PMIS internal project manager.

17.   January 2014 represents the beginning of the implementation of the project. The implementation phase is comprised of the roll-out of the Human Resources System and Payroll, which will take place at the end of 2014, and a second roll-out of the Finance portion of the system, which will start mid-2014 and be completed by the end of 2015. The Tidemark planning and budgeting module will be implemented during 2014 and into 2015. These dates have been adjusted to reflect the additional complexities which the integrators identified during their "discovery phases" regarding the functionalities required for planning, budget, human resources, payroll, and finance in the PMIS.

18.   During January and February 2014, PAHO will be completing the "plan" phase of the implementation. The following activities characterized this phase of the project:

a)   identification of the PMIS implementation team;

b)   training of the team on Workday (4 weeks, ending 21 February 2014);

c)   finalization of the detailed work plan, training plan, and change management plan.

Risk Management

19.   During an assessment of current risks to this project, PASB identified the following three major concerns and has taken steps to manage risks in these areas:

a)   *The system must meet PASB's needs:* PASB carefully defined its requirements for the new system and subsequently conducted an extensive evaluation of possible software. In addition, a detailed business case was prepared to clearly articulate the criteria for measuring project success.

b)   *Costs must be controlled:* An important part of minimizing this risk is the use of a fully competitive procurement process for software and for system implementation support services, which together represent a substantial portion of the project budget. PASB also believes that strong project management will help control costs throughout the project.

c)   *Project management must be of the highest quality.* PASB has sought advice from its Audit Committee and has also hired an external project manager who has significant experience in implementing the Workday ERP software, which will contribute to the project adhering to best project management practices.

Budget Projection

20.   Having completed the negotiations for the five significant contracts for the PMIS: Workday (ERP software), Collaborative Solutions (system integrator), Cutter Consortium (change management services), Tidemark (planning and budget module), and the external project manager, the Organization was able to update its projected budget for the implementation of the PASB Management Information System.

21.   The pre-implementation phase of the PMIS, which included the business case for a new ERP, the vendor selection process, etc., resulted in actual costs of $1.7 million.

22.   The implementation phase, which includes the architecture, programming, testing, and deployment of the ERP software, as well as change management to support the very significant corporate changes in every day processes, is projected to cost $15.5 million.

23.   Therefore, the actual pre-implementation costs and the projected implementation cost are forecasted to total $17.2 million.

24.   The vast majority of ERP implementations experience two additional costs:

a)   The costs for the change orders which the Organization requests during the implementation of the ERP software in order to meet the unexpected but essential requirements for the ERP design. Best practices recommend that an organization budget the cost of change orders as a percentage of the integration costs (12%-16%), which was determined to be $1.9 million for the PMIS.

b)   The unexpected contingency costs that will be incurred during the implementation project, which best practices recommend that an organization budget at 15% of the implementation costs, which is $2.3 million for the PMIS.

25.   Therefore, these two additional contingency estimates which the PASB is including in its 15 January 2014 budget projection total $4.2 million.

26.   Thus, the total of the actual pre-implementation costs, the forecasted implementation costs, and the contingency estimates reaches $21.4 million.

27.   If the contingency costs are incurred during the implementation, as expected, the Organization will request approval from the Governing Bodies for an increase of $1.1 million in the PMIS budget. Furthermore, the Organization will need to identify the internal source of this additional funding in order to finance the excess costs over the original budget of $20.3 million. The budget projection as of 15 January 2014 is shown below.

Action by the Subcommittee on Budget, Program, and Administration

28.   The Subcommittee is invited to take note of this progress report and offer any comments that it may have.

Annex

Annex

Budget Projection as of 15 January 2014
(Expressed in US$)

Pre-implementation	Pre-implementation costs including vendor selection process, business case, etc.	1,700,953
ERP Implementation		
	Workday and System Integrators	7,973,416
	Tidemark (Planning and Budget); In-Tend (Procurement); and Treasury Software	997,000
	Training, Change Management, and Travel	3,088,000
	Human Resources (Staffing and Back-Filling of Posts)	2,440,900
	Data Conversion	1,000,000
	Sub-total for Implementation Costs	**15,499,316**
	Total for Pre-Implementation and Implementation Costs	**17,200,269**
Estimates for Contingencies		
	Estimated Costs for Change Order Requests to Original Contracts	1,905,000
	Estimate of 15% of Implementation Costs for Contingency	2,324,897
	Sub-total for Implementation Contingencies	**4,229,897**
Total Budget Projection with Contingencies	**Pre-implementation Costs, Implementation Costs, and Estimates for Contingencies**	**21,430,166**

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