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FINANCE COMMITTEE

Hundred and Thirty-seventh Session

Rome, 10 – 11 February 2011

**Estimated costs and proposed funding of the synergistic approach to
upgrade to Oracle R12 in parallel with the IPSAS Project**

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EXECUTIVE SUMMARY

- This paper is submitted in response to the request of the Finance Committee at its 135th session in October 2010 to be presented with the estimated costs and proposed funding of the synergistic approach to upgrade its Enterprise Resource Planning System (ERP) to Oracle R12 in parallel with the International Public Sector Accounting Standards (IPSAS) Project.
- Cost estimates for the synergistic R12/IPSAS programme are USD 14.6 million for 2011 and USD 23.9 million for 2012-13.
- The estimated cost is in line with other similar UN projects and previous FAO ERP projects.
- It is proposed that the costs will be funded principally from the Capital Expenditure Facility in the amount of USD 33.7 million together with a contribution from the Immediate Plan of Action (IPA) of USD 4.8 million.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the information provided in the document.

Draft Advice

- **The Finance Committee noted the information provided in the report.**

Background

1. At its 135th Session in October 2010, the Committee was informed that to more holistically develop FAO's administrative applications, a "synergistic" approach was being adopted. This entailed managing an upgrade of the Organizations's ERP to Oracle Release 12 in parallel with the IPSAS Project and the Field Solution. In addition to the significant cost benefit of running these major administrative projects in an integrated way, such an approach allows the IPSAS Project to exploit the significant new functionality available in Oracle Release 12 while ensuring that the Organization will not be required to rely on an unsupported version of its ERP in 2013. The synergistic introduction of Oracle Release 12 will also permit the Organization to replace the current Field Accounting System with a Field Solution that uses standard Oracle Release 12 functionality for deployment to the Decentralized Offices as an integrated part of the ERP. Under the new synergistic approach IPSAS compliant systems will be delivered in 2012. The first IPSAS compliant official accounts will be prepared for the calendar year 2013.
2. Following discussion of the report at its 135th Session, the Finance Committee requested that the estimated costs and proposed funding of the synergistic approach be presented at its Special Session in February 2011.

Estimated costs

3. The table below summarizes the estimated costs of the synergistic approach for the period 2011-2013. The scope of work covered by the cost estimates includes the IPSAS project and the upgrade of the ERP to Oracle Release 12 together with a number of other areas proposed for inclusion in the overall programme. These proposals include the replacement of the travel system and the deployment of the new systems in Decentralized Offices to support human resource and procurement related activities.
4. The Programme will be overseen by a newly established Programme Executive Board including Senior Managers from Headquarters and Decentralized Offices, and chaired by the Deputy Director-General (Operations).

Summary by area	2011	Total 2012-13	Total 2011-13
Overall programme	2.6	5.1	7.7
Travel	0.3	0.5	0.8
Procurement	0.6	1.2	1.8
Finance	4.9	9.0	13.9
Human Resources	0.7	1.0	1.7
Shared Services	0.3	0.5	0.8
Information Technology	5.2	6.6	11.8
TOTAL	14.6	23.9	38.5

Figure 1 – Estimated total costs by year and programme area (USD millions)

5. It should be noted that the above estimate may be subject to change as the project scope, timeline and synergies are better defined. The tabulated details are provided by functional and technical areas in order to better illustrate the wide scope of the overall programme initiative, its impact on various units, and the contributions expected from various stakeholders to ensure a successful delivery.

6. The estimate is in line with the costs incurred by other recent similar initiatives undertaken in other UN agencies (e.g. WFP) and with similar projects undertaken by FAO in the past (Human Resources Management System (HRMS) 2007, Oracle Financials 1999).
7. As previously reported to the Committee, a key benefit of the synergistic approach will be that the significant business benefits being developed will be delivered in a holistic and cost effective manner and will reduce the workload that would have been otherwise imposed on key stakeholders, project teams and end-users.
8. Specific benefits of a synergistic approach which will be exploited in numerous project phases and activities include:
- combined system design and development activities which would otherwise have to be performed for the individual projects;
 - combined test cycles which would otherwise have to be performed for each project;
 - Oracle Release 12 standard functionality in IPSAS, rather than customizing the existing Oracle Release 11;
 - having one combined change, communication and training programme in Headquarters and Decentralized Offices, considerably reducing associated costs.

Funding Source

9. It is proposed that the synergistic approach to the IPSAS project, upgrade of ERP applications and related initiatives will be funded principally from the Capital Expenditure Facility with a contribution from the IPA. A summary of the proposed funding sources for the period 2011-2013 is provided in the table below.

Funding Source	2011	2012-13	Total
Capital Expenditure Facility (USD m)	13.0	20.7	33.7
IPA (USD m)	1.6	3.2	4.8
Total (USD m)	14.6	23.9	38.5