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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 an update 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 costs 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 major goals of the modernization project are to improve: (*a*) accountability for results; (*b*) inter- and intra-agency collaboration; (*c*) availability of information and transparency; (*d*) adaptability; (*e*) coordination with WHO; (*f*) human resources management; (*g*) support for emergency operations; and (*h*) the operational effectiveness and efficiency of PAHO's technical cooperation to Member States.

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

8.   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.

9.   According to the current summary schedule, the project is divided into two phases: pre-implementation and implementation.

Pre-implementation Phase

10.   This phase comprises a variety of activities necessary to prepare for implementation and ensure project success. The major components of this phase include establishing the project's organizational and governance structures, staffing, software acquisition, and procurement of system implementation support services.

11.   Since the project was approved, preparations for project pre-implementation have focused on the following major areas:

(a)   *Project foundation*: The overall project structure was established and a project team was assembled for implementation. In addition, PASB had an independent consultant carry out a readiness assessment that identified the critical success factors for the project. The major recommendations of that assessment have been implemented.

(b)   *Business case*: PASB has refined the project's business case. It articulates the project's benefits and defines baselines and targets for measuring the success of the project in terms of mission support, efficiency, and savings in operating costs. It has also identified simplified business processes that will yield immediate, tangible savings. Additional information about the business case effort is included in Paragraph 16.

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

(c) *Business processes*: A number of business processes were improved. Other weaknesses were identified, some of which will require a new system before they can be implemented. Business processes continue to be evaluated and opportunities identified. This effort will continue until the end of the project.

(d) *Procurement of software and system implementation support services*: A rigorous competitive process was initiated to identify appropriate vendors of products and services. The final decision will be based on the ability of vendors to meet PASB's needs and the total cost of ownership (TCO). The latter includes software, implementation, and licensing and support costs for a five-year period. Work continues to minimize costs.

Implementation Phase

12.   This phase will comprise two steps: Step 1 will cover the period from mid-2013 through 2014; and Step 2, from mid-2014 through 2015, which will mark the end of project implementation.

13.   The competitive process to procure software and system implementation services—as well as the due diligence that accompanies that process—is vitally important to ensuring that this project achieves its mission support and financial goals. PASB was advised by the external independent consultant to take the necessary steps to ensure, to the extent possible, that it receives the best value for its investment and to increase the likelihood of project success. The competitive procurement process, completed earlier in 2012, identified several qualified combinations of software and system implementation services. During this process, PASB examined low-cost software solutions and invited smaller, lower-cost system implementers to submit proposals for their services. However, the vendors of the lower-cost alternatives either chose not to submit bids or were eliminated from competition as a result of the procurement process.

14.   Full implementation of the solution identified by the competitive procurement process significantly exceeds the $20.3 million project budget. As a result, PASB decided not to initiate contract negotiations for software or system implementation services. While earlier studies had concluded that implementation of an ERP system was the best way to modernize PASB's administrative information systems, those studies had presumed that the budget would yield a positive return on investment. The costs determined through the competitive process, however, called this into question.

15.   During 2012 and following the competitive process, PASB investigated whether implementation costs could be reduced, sought advice from an independent consultant who advised that entering into contract negotiations would be ill-advised, and began efforts to further refine the project's business case (with assistance from an independent consultant) to better quantify the value of the ERP project. The business case, completed in January 2013, asserts that: (*a*) implementation of an ERP system remains the best way

to modernize PASB's administrative information systems; (*b*) the software and system integrator combination that was provisionally selected does indeed exceed the project budget and, at that cost, will not yield a positive return on investment; and (*c*) other less expensive ERP solutions exist that may, in fact, meet PASB's requirements.

16.   While the executive decision to refine the business case has delayed the program activities, this delay allowed management to develop a comprehensive business plan, as well as communication and risk management strategies before proceeding with the project.

17.   Based on the business case findings, PASB revisited the procurement process in order to identify a less costly solution more appropriate to PASB's size and budget.

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

19.   Following the business case recommendations, the project team researched several Tier II[2] ERP software packages to identify three products that would satisfy most of PAHO's business requirements. A request for proposals (RPF) for software and system integration services was announced on 25 April 2013.

Progress update since the 152nd Executive Committee

20.   The PMIS Team in charge of the evaluation of the proposals issued a technical evaluation report in July 2013. The technical evaluation report included an extensive analysis of pros and cons of the solutions examined. While several functional gaps were identified in the products, the team did not encounter any show stoppers. The report identified Workday as the best fit overall as ERP for the Organization.

21.   Workday scored higher in the financial evaluation, as well, becoming the overall winner of the competitive procurement process.

22.   The results of the RFP process were presented to the PMIS Steering Committee on July 29, 2013. The Steering Committee supported the recommendation of the PMIS Team and approved Workday as the ERP package for PAHO.

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[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.

23.   During August and September 2013, the PMIS team, the PAHO Procurement Office, and the Legal Office engaged with Workday for contract clarifications and negotiations. PAHO also used Gartner for validation of the proposed contract terms. 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.

24.   PAHO signed the contract with Workday on September 30, 2013, just 5 months after the RFP was issued.

25.   During the month of October 2013, PAHO will finalize the hiring of the project manager and the identification of the external change management team which will support the Organization in this process.

26.   PAHO expects to initiate the implementation in early November 2013. At that time, the internal team of PAHO, Workday, the system integrator team and the project manager will prepare the detailed project plan for the implementation.

Risk Management

27.   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 staff to provide external, independent oversight to help ensure that the project adheres to best project management practices.

Action by the Executive Committee

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

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