General Assembly

Seventy-fourth session
Agenda items 135 and 148

Proposed programme budget for 2020

**Administrative and budgetary aspects of the financing of
the United Nations peacekeeping operations**

Eleventh progress report on the enterprise resource planning project

Eighteenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2020

I. Introduction

1.   The Advisory Committee on Administrative and Budgetary Questions has considered the eleventh progress report of the Secretary-General on the enterprise resource planning project (A/74/478) submitted pursuant to General Assembly resolution 64/243, in which the Assembly requested the Secretary-General to continue to ensure that the Assembly is kept informed, on an annual basis, of the progress regarding the enterprise resource planning project, Umoja. The Committee also had before it the eighth annual progress report of the Board of Auditors on the implementation of the United Nations enterprise resource planning system (A/74/153), submitted pursuant to General Assembly resolution 66/246.

2.   During its consideration of the above-mentioned reports, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 11 November 2019. The Committee also had an exchange with the members of the Audit Operations Committee.

II. Eighth annual progress report of the Board of Auditors on the implementation of the United Nations enterprise resource planning project

3.   The Board of Auditors indicates that its eighth annual progress report has been prepared on the basis of an audit conducted in February 2019 and covers project

governance, management and monitoring; the deployment of Umoja Extension 2 (UE2) processes and functionalities and the status and functioning of deployed processes and functionalities; the reorganization of the project team and the mainstreaming of Umoja; and the estimation of the costs and benefits of the Umoja project. The Board states that its report also contains the results of an information technology audit of application controls and data quality controls for payment processing (A/74/153, summary, para. 13). The Advisory Committee's comments on the Board's observations and recommendations are reflected in the context of its discussion on each subject, as relevant, in the paragraphs below. **The Advisory Committee commends the quality of the report of the Board of Auditors, and also welcomes the inclusion of an information technology audit of Umoja application controls in the area of payment processing. The Committee expects the recommendations of the Board of Auditors to be fully implemented in a timely manner.**

III. Eleventh progress report of the Secretary-General on the enterprise resource planning project

4.　　The Secretary-General indicates that his eleventh progress report on the status of the implementation of Umoja provides an update on progress since the issuance of his tenth progress report, in September 2018 (A/73/389). Key issues covered in the report include: (a) project management, governance and oversight; (b) project status; (c) change management; (d) Umoja benefits realization; (e) mainstreaming; (f) risk management; and (g) resource requirements for 2020.

A. Project management, governance and oversight

5.　　In its eighth annual progress report, the Board of Auditors noted that, in 2018, the Management Committee had been provided with an update on Umoja on two occasions (May and July 2018) and that the Steering Committee met on three occasions (April, July and August 2018). The Board recommended that the governance committees should play a more proactive leadership role, given the complex and challenging environment for UE2 implementation and the approaching timelines for Umoja deployment (A/74/153, paras. 14–21). **The Advisory Committee shares the concerns of the Board of Auditors regarding the guidance and oversight of the project in 2018. The Committee stresses the need for effective and sustained governance and oversight of the Umoja project, as well as for strong leadership. The Committee recommends that the General Assembly urge the Secretary-General to ensure that the governing committees are fulfilling their respective roles effectively and meeting at regular intervals.**

6.　　Upon enquiry, the Advisory Committee was informed that the Umoja Project Director initially assumed the functions of Acting Controller in September 2018 and that following his appointment as Controller in February 2019 has filled both functions to date. **In view of the criticality of the functions of the Umoja Project Director position in ensuring the effective direction, planning and day-to-day management of the project, and given also the importance of the role of the Controller, the Advisory Committee recommends that the General Assembly request the Secretary-General to ensure that the current arrangement does not have an impact on the effective execution of the functions for either position.**

Project planning and monitoring

7.   The Advisory Committee recalls that the General Assembly, in its resolutions 72/262 and 73/279, reiterated the need for strict project planning and management in order to ensure that Umoja remained on track without further disruption and delay. The Board of Auditors observed a number of shortcomings in the use of the project management software tool used by the Umoja project management office to prepare for the UE2 subprojects. For instance: (a) the project plans for 2018 did not indicate a clear timeline for the overall completion of the project, or list the remaining tasks and the required time for full implementation of the UE2 subprojects; (b) inter-task dependencies were not appropriately defined and the critical path for the project remained unidentified; (c) the provisions of the project planning tool for estimating resource costs and quantum of allocation of work to personnel were not utilized; and (d) the risk register was not updated at periodic intervals during the second half of 2018 (A/74/153, paras. 22–28). The Board highlighted the importance of robust and comprehensive project planning and monitoring, especially in view of the challenges faced by the project, including the tight schedule, the breadth of functionality, the technical complexities and the concurrent implementation of multiple solutions. The Board recommended that the Secretariat prepare project plans for each UE2 subproject, clearly defining individual tasks, and the interdependencies between tasks, the critical path for project completion and a detailed timetable at the task level. The Board further recommended that the project team use those plans for monitoring progress towards completion of the UE2 subprojects in line with the project schedule.

8.   **The Advisory Committee is deeply concerned that significant weaknesses still remain in project planning and monitoring at this late stage in the implementation of the Umoja project. The Committee recommends that the General Assembly request the Secretary-General to ensure that the recommendations of the Board of Auditors on project planning and monitoring are implemented in full and without delay.**

B.   Project status

9.   The Advisory Committee recalls that, as indicated in the eighth progress report on the enterprise resource planning project (A/71/390), the complete scope of Umoja is structured into a total of 321 processes, comprising 122 processes under Umoja Foundation, 66 under Umoja Extension 1 and 133 under Umoja Extension 2, which are grouped into six separate projects as follows: (a) strategic planning, budget formulation and performance management; (b) fundraising and donor relationship management; (c) implementing partner management; (d) supply chain management; (e) uniformed capabilities management; and (f) conference and event management.

10.   In his eleventh progress report (A/74/478), the Secretary-General indicates that since the tenth progress report, the Umoja team has been focusing primarily on the implementation of the UE2 subprojects, major hardware and software upgrades and continuous improvements that have no dependency on UE2 solutions. The report provides an overview of the project status in paragraphs 8 to 11. Details on progress in the design, development and deployment of the software solutions for each of the six UE2 subprojects are provided in paragraphs 13 to 62 of the report. Annex I to the report provides a summary of Umoja deployments by quarter in 2018 and 2019 and annex II provides a summary of the planned deployments in 2020. **While noting that the report of the Secretary-General provides some information on the deployments of the six UE2 subprojects, the information was insufficient for the Advisory Committee to ascertain with any clarity the actual progress made towards the completion of each UE2 subproject. The Committee had requested**

an update on the percentage of completion of the overall Umoja project and progress towards the completion of each UE2 subproject but was not provided with a clear response.

11. The Advisory Committee recalls that the General Assembly, in its resolution 67/246, approved the revised timeline for the complete implementation of the full scope of the Umoja project by December 2018. In section XVII of its resolution 73/279 A, the Assembly regretted the delay in the full implementation of Umoja Extension 2 and made a number of requests regarding the completion of the project, including that the Secretary-General: (a) continue to implement the project within the approved timeline and budget and to provide detailed information on the full implementation of the Umoja solution no later than at the seventy-fourth session of the Assembly (para. 9); (b) provide a comprehensive update in the next progress report on the remaining solutions of the supply chain management project (para. 10); (c) provide a detailed update on progress towards project finalization and an update on project expenditures in the next progress report (para. 11); (d) achieve the project's objectives and its full implementation by December 2019 (para. 20); and (e) provide a detailed plan for the mainstreaming of the Umoja team into the Secretariat, including measures to ensure a sustainable business model of the Umoja project, in the context of his next report (para. 16; see also para. 20 below).

12. **The Advisory Committee is deeply concerned that the Secretary-General did not complete the implementation of the full scope of the Umoja project within the approved timeline and budget and did not provide a mainstreaming plan as requested by the General Assembly, and that his report requires another extension of the project timeline with further escalation of project costs. The Committee further notes that the report of the Secretary-General does not provide transparent information on progress made towards the finalization of the full scope of the Umoja project, including in particular the expected completion date as well as details on the remaining activities of the UE2 subprojects and the timeline for their completion. The Committee requests the Secretary-General to provide to the Assembly at the time of its consideration of the present report, a road map for the completion of the overall Umoja project and of each UE2 subproject by the end of 2020. Such a road map should present the key milestones and deliverables for the overall Umoja project and for the six UE2 subprojects with a timeline for their completion.**

13. **The Advisory Committee further recommends that the General Assembly decide that the Umoja project will be closed on 31 December 2020 and request the Secretary-General to take all necessary measures to ensure full implementation of the Umoja project by that date. The Committee also recommends that the Assembly request the Secretary-General to submit for its consideration, at the main part of its seventy-fifth session, the final report on the Umoja project that should include comprehensive, transparent and detailed information on the complete implementation of the Umoja project and the project expenditures incurred. The final progress report should also include an update on the total cost of ownership of the system and on benefits realization (see paras. 15–17 below).**

14. The eleventh progress report of the Secretary-General also provides information on other Umoja deployments which include: (a) the launch of Umoja on a mobile platform that was not included in the original scope (A/74/478, paras. 63–66); (b) support to the implementation of the new system of delegation of authority and the related accountability framework in Umoja as foreseen in the Secretary-General's management reform (ibid., paras. 67–69); and (c) upgrades of the entire SAP software and hardware infrastructure of Umoja (ibid., paras. 70–81). **The Advisory Committee notes the considerable efforts required for the infrastructure**

upgrades and support to the Secretary-General's reforms. The Committee further notes with concern the reported deployment of an upgrade to the Umoja mobile platform which was not included in the original scope (A/74/478, para. 63). The Committee stresses the need to prioritize completion of the UE2 subprojects and recommends that the General Assembly request the Secretary-General to avoid any expansion of the project scope except for elements that are essential for the proper functioning of the system and that will not affect the timeline or costs of the project.

C. Umoja benefits realization

1. Benefits realization

15.   In its seventh annual progress report, the Board of Auditors made a number of recommendations regarding the Umoja benefits realization plan (A/73/169, para. 38). In its eighth annual progress report, the Board of Auditors noted that the benefits realization plan was under preparation and recommended that it should be finalized as a priority. In its resolution 73/279 A (sect. XVII, paras. 13–14), the General Assembly also requested the Secretary-General to expedite the completion of a realistic benefit realization plan and to report thereon in his next progress report. In his eleventh progress report, the Secretary-General indicates that a Umoja benefits realization plan was drafted in 2018. He also indicates that an Organization-wide standard for benefit-management systems has been issued which provides a more rigorous standard to ensure that benefits can be tracked, and that the Umoja benefits realization plan will be enhanced and aligned with the new framework and transferred for implementation to the Business Transformation and Accountability Division Department of Management Strategy, Policy and Compliance. **The Advisory Committee recommends that the General Assembly request the Secretary-General to expedite the finalization and implementation of the Umoja benefits realization plan and provide an update in his final report on the Umoja project.**

2. Total cost of ownership

16.   In its eighth annual progress report, the Board of Auditors considered that there was scope for refining the estimate of the total cost of ownership and recommended that: (a) the estimates for indirect costs should be reassessed by considering a uniform standard cost across all process owners and by considering the right baseline for continuous improvements; (b) the training costs for the period 2019–2030 should be included in the total costs of ownership; and (c) a comprehensive estimate of maintenance costs for the period up to 2030 should be prepared (A/74/153, paras. 144–146). In his eleventh progress report, the Secretary-General indicates that the total cost of ownership has been updated taking into account the recommendations of the Board of Auditors to the extent possible (A/74/478, para. 127).

17.   In table 2 of the eleventh progress report, the Secretary-General shows that the estimated total cost of ownership for the period 2008–2030 would increase by $15,540,601 from the estimated amount of $1,414,225,429, presented in the tenth progress report (A/73/389), to $1,429,766,030. In annex III to his report, the Secretary-General provides a breakdown of direct project expenditures by period and phase, distinguishing between staff and non-staff costs. The supplementary information accompanying the report provides additional details including: (a) a breakdown of direct project expenditures by year and category of expenditure, project phase [1] and outputs delivered from 2008 to 2019; and (b) a breakdown of indirect costs by

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[1] Includes project initiation; process design; Umoja Foundation; Umoja Integration, continuous improvement and production support; and Umoja Extension 2.

deployment in terms of the number of staff and the number of person months required and related costs. **The Advisory Committee notes with concern that the total cost of ownership continues to increase with successive project delays. The Committee recommends that the General Assembly request the Secretary-General to finalize the estimates of the total cost of ownership of Umoja, taking into account the recommendations of the Board of Auditors, as well as the upcoming transition of all parts of the Umoja solution to a maintenance phase following the closure of the project.**

D. Mainstreaming

18.   In its resolution 73/279, the General Assembly requested the Secretary-General to provide in his next report a detailed plan for the mainstreaming of the Umoja team into the Secretariat, including measures to ensure a sustainable business model of the Umoja project. In its eighth annual progress report, the Board of Auditors recommended that the Secretariat prioritize the preparation of a Umoja mainstreaming plan (A/74/153, para. 156). The Advisory Committee notes that the report of the Secretary-General does not provide a detailed mainstreaming plan as requested by the General Assembly.

19.   In his eleventh progress report, the Secretary-General indicates that the back-end information technology infrastructure and security functions have already been mainstreamed into the Office of Information and Communications Technology, with the associated budgets and management of contracts. He further indicates that his report provides information on the business-leaning functions for a typical "steady-state" of the enterprise resource planning programme when its functional scope has been delivered, as well as on deployments and support functions (A/74/478, paras. 128–148).

20.   With regard to funding, in the eleventh progress report, the Secretary-General indicates that the existing cost-sharing arrangement adopted by the General Assembly for the implementation of the Umoja project will have to be revisited for a steady-state enterprise resource planning system and modified to a hybrid model using a weighted combination of budget, expenditures and headcount, to be implemented beginning from the 2021 budget period. He further indicates that the methodology and its underlying rationale will be presented as part of the 2021 proposed programme budget, taking into account also the implications of the recently acquired cloud-based subscription software (see A/74/478, paras. 46 and 150). **The Advisory Committee recommends that the General Assembly request the Secretary-General to include in the proposed programme budget for 2021, a detailed proposal on the methodology to be applied for the estimation of Umoja costs in the maintenance period following the closure of the project, as well as a detailed plan for the mainstreaming of the Umoja team into the Secretariat to ensure a sustainable business model of the Umoja solution (see General Assembly resolution 73/279).**

21.   In his eleventh progress report, the Secretary-General indicates that since 2016, the project has been organizing specialized training for its staff to ensure institutional capacity to support Umoja, including nearly 960 technical training courses costing approximately $3.4 million, and that the investment in training has eliminated the need for a systems integrator vendor for building all the solutions for the UE2 subprojects and has reduced the costs associated with knowledge transfer from contractors (A/74/478, para. 159). **The Advisory Committee welcomes the progress made and encourages the Secretary-General to continue to pursue such efforts with a view to reducing the dependency of the project on outside contractors and consultants.**

E. Other matters

22. In its eighth annual progress report, the Board of Auditors indicated that it noticed a number of gaps in application controls related to the functions for processing vendor payments deployed as part of Umoja Foundation and UE1. These included, for instance, the non-automation of the execution of daily payment proposals and the lack of a bank balance sufficiency check within the system. The Board also noticed issues in the maintenance of master data such as the existence of multiple vendors against the same bank account, including staff and commercial vendors sharing the same bank account number. The Board noticed that in 504 cases, vendors and employees had the same bank account numbers and that, in 30 of those cases, the bank account number was same for an employee and for a commercial vendor. In addition, the lack of a functionality in Umoja to specify the purpose of a payment required a manual intervention which, if not completed in a timely manner, increased the risk of failed payments (A/74/153, paras. 77–85). **The Advisory Committee is concerned by the nature of the weaknesses identified by the Board of Auditors and considers that they increase the risk of fraud and require immediate attention, including the strengthening of internal controls so that such issues can be avoided in the future. The Committee recommends that the General Assembly request the Secretary-General to address the issues identified by the Board in the processing of vendor payments and implement the related recommendations of the Board as a matter of priority, and to report on the measures taken in his final report on the Umoja project.**

F. Resource requirements for 2019 and 2020

23. The estimated requirements for 2019 and 2020 are summarized by category of expenditure in table 3 of the eleventh progress report of the Secretary-General. As indicated, for 2019 the approved budget amounts to $55,136,400 and the projected expenditure is $42,402,400 leaving an unused balance of $12,734,000. Expenditures as at 1 October 2019 amount to $26,406,500, and the projected expenditure for the period from 1 October to 31 December 2019 amounts to $15,995,900. The Advisory Committee was informed that the remaining expenditures in 2019 included the following: (a) approximately $2.85 million for staff costs; (b) the initial payment of $2.5 million for the Integrated Business Planning implementation contract with SAP (A/74/478, paras. 43–49); (c) $2.75 million for SAP support for the other SAP products deployed as part of Umoja; (d) approximately $5.1 million for the extension of 30 contracts from January to June to ensure continued availability of experienced contractors; and (e) an additional $0.75 million in various other types of operational expenditures, such as service-level agreements for office support operations which are billed by year-end, supplies and materials, travel and training. Upon enquiry, the Committee was informed that the Umoja project's expenditure pattern is not linear since many of its expenses require pre-commitments to facilitate negotiation, early commitments of funding to guarantee proper support for software, and ensuring the timely and continued availability of skilled contractors, including securing their contracts and visas in advance.

24. Upon enquiry, the Advisory Committee was also informed that the unused balance of $12,734,000 in 2019 was mainly a result of lower-than-budgeted requirements under: (a) contractual services ($8.3 million), owing to a decrease in the

average number of contractors per month and mean hourly rates per contractor,[2] as well as the delay in the implementation of the demand planning and supply network planning modules of the supply chain management UE2 subproject resulting from the additional time required for the conclusion of the related SAP software contract (A/74/478, paras. 43–49); (b) other staff costs ($1.9 million) mostly owing to a reduction in the number of general temporary assistance personnel during 2019, which depends on the capacity of core project staff to take on additional responsibilities and varies throughout the year depending on project requirements; and (c) $1.5 million under posts owing to difficulties in recruiting staff with the required skills, as well as the Assistant Secretary-General Project Director post costs no longer being charged to the Umoja project budget (see para. 6 above).

25.   The proposed resources for 2020 amount to $35,378,000. Taking into account the projected unused balance of $12,734,000 at the end of 2019, which is proposed to be carried over to 2020, the net additional requirement for 2020 is $22,644,000. Justifications for the proposed resource requirements for 2020 are provided in paragraphs 159 to 170 of the eleventh progress report of the Secretary-General. **The Advisory Committee trusts that the Secretary-General will provide to the General Assembly at the time of its consideration of the present report an update on the expenditures incurred in 2019 and the projected unused balance at the end of 2019.**

26.   The proposed net additional requirements of $22,644,000 for 2020 would bring the total direct project costs up from $543,741,600 approved from 2008 to 2019 to a total of $566,385,600 in 2020 (see A/74/478, table 4). **The Advisory Committee regrets that the extension of the completion date of the project will entail additional requirements and further escalation of project costs. In view of the underexpenditure in 2019, as well as the need to prioritize UE2 subprojects and avoid any out-of-scope functionalities, the Committee recommends that the General Assembly reduce the proposed resources by 3 per cent ($1,061,300) from $35,378,000 to $34,316,700.**

IV.   Conclusions and recommendations

27.   The actions requested of the General Assembly are set out in paragraph 174 of the eleventh progress report of the Secretary-General. **Subject to its comments and recommendations in the paragraphs above, the Advisory Committee recommends that the General Assembly:**

        (a)   **Take note of the progress made in the implementation of Umoja since the issuance of the tenth progress report;**

        (b)   **Approve the resource requirements of $34,316,700 for the completion of the project in 2020;**

Programme budget

        (c)   **Approve an amount of $3,237,400 under the programme budget for 2020 under component 1, Enterprise resource planning project, of subsection 29A,**

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[2] The Advisory Committee was informed that costs for contractual services had been declining since 2015/16, including a decrease in the average number of contractors per month from 110 in 2015/16, to 44 in 2019 and a reduction in the average hourly rate per contractor from $191 in 2016 to about $132 in 2019, resulting in an overall decrease in the average daily costs for contractual services from $149,736 in mid-2016 to $37,964 at the end of October 2019.

Department of Management Strategy, Policy and Compliance, representing the regular budget share for the Umoja project costs for 2020;

(d) **Revise the appropriation under the proposed programme budget for 2020 by reducing the provisions under subsection 29A, Department of Management Strategy, Policy and Compliance, by an amount of $1,228,700;**

Support account for peacekeeping operations

(e) **Note that resource requirements in the amount of $13,381,300 will be included in the subsequent requirements for the support account for peacekeeping operations for the financial period from 1 July 2020 to 30 June 2021;**

Extrabudgetary resources

(f) **Note that requirements in the amount of $4,964,000 will be funded from extrabudgetary resources in the financial year 2020.**

28. **The Advisory Committee further recommends that the General Assembly decide that the unused balance, if any, at the closure of the project should be returned to Member States.**

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