

INTERNATIONAL TELECOMMUNICATION UNION (ITU)

**DRAFT - TERMS OF REFERENCE
FOR
THE IMPLEMENTATION OF
THE RECOMMENDATIONS OF
THE GROUP OF SPECIALISTS**

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1 Background information

1.1 General

Following the decisions of the 2002 Plenipotentiary Conference, a Group of Specialists (GoS) was appointed to review the management of the Union. The GoS prepared its report that was submitted and approved by the 2003 Council. A decision was taken to immediately start the implementation of the near term recommendations.

The GoS presented several recommendations that should be addressed in an integrated manner, and if properly implemented will solve most of the shortcomings of the management of the Union. Some of the most relevant recommendations deal with the following matters:

1.2 Information Systems

There is consensus that it is necessary to improve the Information Technology Infrastructure in order to increase its responsiveness to the information requirements of users, on a timely manner, and also to improve its support to decision making at all levels, namely with regard to control of the costs of projects and activities of the Union, at the lowest possible cost.

Major weaknesses, which involve several critical issues concerning the management of ITU, can be characterised as follows:

- Unclear ICT strategy
- Unclear strategy in systems implementation, refraining the development of ITU
- Deficiencies in the integration and limited use of the existing applications
- Low quality of the services provided
- Inadequate methodologies and very weak control in the development and implementation of new applications
- Weaknesses in the existing ICT security procedures
- Very high costs of the Information Systems' activities
- High maintenance costs of old applications still in use

In their report, the GoS made a recommendation to deal with the weaknesses and recognised that the work should be developed with the assistance of outside consultants, with expertise in process analysis and design, and systems development and implementation. Following this recommendation, ITU engaged the consultant Dalberg to work in more detail on the GoS recommendations mainly to do the design of processes and prototypes necessary for their implementation.

1.3 The Union System of Budgets

In their report, the GOS also recommended that the Council should direct the Secretary-General to develop draft revisions (for approval by Council) to the Financial Regulations, including the establishment of milestones, for the development of draft budgets, that fully reflect the ITU requirements on what concerns the management improvements foreseen in the recommendations .

As presently structured, the budget is financially oriented rather than project/activity oriented. This does not provide appropriate control/accountability nor does it provide transparency.

The work to be performed should respond to the question “How can the ITU’s financial management and the budgetary process be improved to increase transparency, accountability, comparability with actual results, including the set up of a mechanism for setting programmes and budgetary priorities?”

1.4 Management Control and Management Accounting

The GOS recommended that the Council should instruct the Secretary-General to establish a cost-accounting process that results in the cost of individual ITU projects and activities being identifiable and auditable, recognizing that this is essential for the development of an accurate activity-based budget and for implementing cost-recovery in compliance with Resolution 91 (Minneapolis, 1998). Some of the characteristics of this system are that:

- a) This cost-accounting process should accurately record the time each staff member, except those engaged in service departments, spends on different projects.
- b) This cost-accounting process should adapt the ITU's financial management system (including the existing System Application and Programming (SAP) software) in order to generate comprehensive financial information meeting the needs of Member States and IT management, track the cost incurred by the Union in performing specific activities under cost recovery, and provide a tool for budgetary control and accountability for decentralized appropriations to line managers.
- c) It should help in defining options to increase the responsibility of managers for the management of the Union resources and to increase efficiency. It should also consider to find the orientation for cost effective decision making.
- d) In summary, this cost accounting system should provide the grounds for an effective management of the Union resources

This recommendation was considered of great importance by the GOS as:

1. Costs of ITU activities need to be determined more precisely than they are currently. Currently, all of a department's costs may be attributed to a function even though some of the staff in the department sometimes works on other tasks. This means that accurate figures are not available for cost-recovery or management purposes. A system is needed to record the time each staff member spends each day on different activities.
2. The level of control, accuracy of management information and project/programme accounting needs to be improved at all levels. Currently, due to the lack of an adequate process for cost accounting, it is impossible to determine, or control, the cost of a given project. The present system only provides information about the amount of resources available for spending during the budget period. As no information is provided about the type and the monthly level of budget

spending, problems cannot be identified as they emerge and there is no proper linkage with the programmes in order to measure the value of the money spent.

1.5 Consulting project

At its additional session in 2003, Council decided to hire a firm of outside consultants to:

- Develop a business process model and review all the activity processes, with a special emphasis on those related to the preparation of budgets and the management control systems, including the management accounting systems
- Formulate an Information Technology Strategy, based on the use, to the extent possible, of packaged software ("packages"), for the benefit of time and development cost. For that purpose, and since ITU has already installed the SAP package, the study should give an answer as to what SAP release and modules are more appropriate for ITU, in terms to give the maximum possible coverage at the lowest possible cost.
- Prepare an Implementation Plan, for both the business processes model and the information technology infrastructure, which should focus on an integration perspective and should challenge the user community with new ideas and new ways of doing their work, by appropriate use of information technologies.
- Develop prototypes (for the major modules, such as: PS, FI, CO, AM, IM, CRM and MM) and the implementation of the new processes, covering the above referred areas.

1.5.1 Consultancy Report and Recommendations

The work of the Consultant, Dalberg, has been completed and a report was submitted to and accepted by the 2004 Council. Their report provided information concerning:

- The understanding of the strategic objectives of the Union, its current and future information requirements in light of those objectives, and an assessment of the current status of resources and systems/applications.
- The identification of the best solutions for the preparation of Budgets, of the most appropriate management control systems and of opportunities for using Information Technology to support the Union's strategy and to sustain or gain advantages.
- An implementation plan for the systems and the processes and procedures identified.

The Dalberg report contains eight Recommendations, of which two relate to result based budgeting and cost accounting (Recommendations 1 & 2 and sub-recommendations) and one to Information Systems (Recommendation 4).

1.5.2 Cost Accounting

Dalberg's recommendations aim to improve the quality of financial communication by addressing three core weaknesses in the typical ITU budget: (1) it does not clearly link resource allocation to the operational results achieved by ITU; (2) it is a dense document dominated by overlapping tables with little explanatory text, which makes it hard to understand; and (3) resource allocation is not broken down to a desirable level of detail.

The simple breakdown of spending authorities will continue to be the document to be formally adopted by Council resolution. However, significant modifications will have to be made to the content and format of the document so that all the components of "results-based budgeting" are taken into account.

Under the current arrangements for cost allocation, more than half of ITU's total costs fall into the category of "overhead". In order to break down costs more accurately and allocate them to Outputs it is proposed to extend the use of time Tracking. With the same objective to reduce the portion of indirect costs, the other important change in the cost allocation methodology is the loading of costs, whereby not only the salaries of staff will be allocated, but also the associated costs of offices and of the human resources department.

Fully loaded costs will be allocated to Outputs on the basis of their consumption of services. Similarly, the cost of management should be spread across the respective units based on post count. Another effort to increase the direct cost base, i.e. the proportion of costs that are directly linked to outputs, is the introduction of Service Level Agreements (SLAs). The costs of these services will be charged directly to users/outputs upon consumption, based on predefined allocation drivers and standard rates. They should be applied in the areas of documentation, publications and information technology.

1.6 Implementation

The ITU Council decided at its 2004 session (Res.1216) to appoint a Council Oversight Group (COG) to oversee the implementation of the recommendations. The ITU Secretariat, overseen by COG, will engage a Company with in-depth expertise in integration of SAP to implement the GoS recommendations 2,4,6,8.5, based on the relevant methodologies described in the Dalberg report.

2 Scope of the project

2.1 Functional Scope

The project should cover the implementation of the relevant Recommendations proposed by Dalberg (Res.1216) in the areas identified in the report of the GoS, in particular management accounting and control systems, the budgetary systems and the management systems in other relevant areas. It should also include the definition of the ICT strategy, and the strategy for integration of the systems within the existing SAP platform and the other systems used by the Union, HR Access and Documentum. A review should also be made of ancillary and isolated application systems, looking for rationalisation, uniformisation, and increase of efficiency and reduction of cost.

2.2. Packaged Systems Selection and/or analysis

In order to reduce the cost and the time required to carry out the project, to fully leverage on the investment already done, and to benefit from the experience of the ITU staff, the implementation of the GoS recommendations should be made with the current SAP software, with the use of the most suitable version of this software models, and with the usage of additional necessary modules like Strategic Enterprise Management, Business Warehouse, Asset Management, Project System, Cross-Application Time Sheet, Human resource Management and Customer Relationship Management.

The currently implemented SAP release at ITU is R/3 4.6. The operating system is Windows NT4 with SQL 7.0 as database system. This implementation is currently under migration to SAP release 4.7 ext 2.0, with operating system Windows 2003 and SQL 2000 as database system.

Negotiations to acquire new version of the package based on MySAP Business Suite are being pursued.

3. Deliverables

The proposals should give a description of the deliverables and the timing of their presentations, covering the following aspects, Dalberg Recommendations 1,2 and 4.1, ICT strategy and business processes reengineering, ICT strategy and other Dalberg Recommendations implementation.

The first deliverable is a fundamental milestone for ITU. The implementation of Recommendation 4.1 could, for tactical reason as well as to ensure delivery in time, deviate in its implementation from the ICT strategy, but in this case its implementation should be in the course of the project realigned to the ICT strategy.

3.1 New Budgetary and Cost Management System

3.1.1 Linkage of the budget structure with strategic and operational planning

Work associated with the issue of linkage and the implementation of results-based budgeting (Dalberg's Recommendation 1), will include the identification of mechanisms and options to

improve ITU's methodology for setting programme and budgetary priorities. The following should be covered:

- a) Formulate the strategic goals “Mission statement”
- b) Formulate programme objective for the biennium
- c) Specify outputs (what ITU aims to achieve)
- d) Define expected results
- e) Determine required resources necessary to achieve the outputs
- f) Test the logical framework for consistency
- g) Formulate statements of expected results and performance indicators
- h) Select performance indicators to measure progress
- i) Ensure consistency & linkage of the budget & the operational plans around the outputs
- j) Ensure performance monitoring through quarterly reporting, including variance analysis
- k) Prepare documentation on business process mapping following ITU standard

3.1.2 Cost Allocation Structure and Methodology

Cost accounting procedures need to be enhanced (Dalberg’s Recommendation 2) in order to increase accuracy and transparency, by in particular introducing time tracking and service delivery reporting. The realization of a tracking time system constitutes a key component of the proposed changes as 78% of all ITU costs relate to staff. Time tracking should be done weekly if recorded to outputs, and quarterly if recorded to activities. The time recording process should fulfil both the requirements for cost Accounting as proposed by Dalberg (pp 34-38 of Appendix D Consultants report), and the requirements of the Satellite Network Filing cost-recovery activity (Council Decision 523).

The introduction of a mechanism of Service Level Agreements (SLAs) aims at an increase of the direct cost base. SLAs should detail the services to be provided, the standard cost of services, and the required roles and responsibilities that support them. They need to be designed at the beginning of the biennium through an in-depth planning and review process between the service delivery reporting departments and all the service providers.

The following should be covered:

- a) Map Results Based Budgeting and Cost Accounting processes
- b) Define the cost structure (analytical model)
- c) Identify the fixed and variable costs
- d) Specify the basis for establishing standard rates
- e) Specify the basis for establishing loaded rates
- f) Establish cost allocation drivers
- g) Determine the time recording process
- h) Implement the time recording system
- i) Determine the SLA’s process
- j) Implement the SLA’s system
- k) Bring in best practice knowledge

- l) Document the new budgeting and cost accounting processes
- m) Provide the necessary training to users in the implementation of the new systems

3.1.3 RBB and cost allocation toolbox

The implementation of an IT Toolbox to meet the business requirements for the creation of a Results Based Budget, integrate with the Cost Analysis solution, and which has the capability to model scenarios during the budget formulation phase, is to be completed before the end of 2004. (Dalberg's Recommendation 4.1). The IT toolbox has to provide an almost "ready-to-use" application. The IT Toolbox will be used in two ways, which complement one another: Results Based Budget and Cost Analysis. The Results Based Budget will be elaborated with the data integrated from other applications, such as HR Access and SAP. Cost Analysis, will be defined in the tool, taking into account multiple parameters and will give the inputs for the Results Based Budget. Reporting facilities (multi combination reports) are also a key element of the requirements. The following has to be implemented in time for the preparation of the 2006-2007 Budget due to be submitted to Council 2005:

- a) Detailed design and prototype of the flexible financial planning tool
- b) Support selection and bid process of the flexible financial planning tool (if appropriate)
- c) Detailed specification of interfaces (SAP-HR/Access and Flexible financial planning tool with SAP and HR/Access)
- d) Realisation, development, testing and training

3.2 Review of ICT Strategy

Dalberg has proposed an ICT strategy to accomplish the strategic objectives of ITU; the proposed ICT strategy should be reviewed and reassessed, mostly in the context of application integration and rationalization between SAP and HR Access and Documentum and other ancillary applications, the revised ICT strategy should be associated with a detail plan for its implementation.

The revised ICT strategy will be the fundamental tool to guide both in the following IS reform and rationalization of IT architecture, and in the business processes reengineering activities. In Appendix 1 of this annex contains some of the inputs on which base, but not limited to, the revision of the ICT strategy.

The report should contain, but not be limited to, the following matters:

- Definition of ITU ICT strategy
- Integration and rationalisation strategy
- Detailed implementation plan for ICT strategy, including Dalberg Recommendations.
- An analysis of the costs and benefits of each initiative.
- Assessment of the extent to which the information strategy addresses the information requirements of users within the several functional areas of the Union and description of the areas where information technology could be used as a source of improvements in the management of the Union.

- Requirements definition for Hardware, Software and Communications to enable the implementation, as well as evaluation of the advantages and disadvantages of each alternative, whenever they may exist.
- Review of the inventory of the current applications
- Description of best practice organisation structure for the IS department, recommended standards and methodologies for development, general procedures and model for the relationship with the user community.
- Criteria that should "guide" the design of the IT systems architecture, to ensure effective support to the activities and the management of the Union, and the reasons why the proposed solutions have sufficient flexibility to cope with change over the next years.

3.3 Business process reengineering (BPR) and ICT strategy implementation

In the context of the revised ICT strategy, the following ICT and BPR activities should be undertaken:

- **Advice and support in the realization of the following Dalberg Recommendations:**

- 4.1.2. Re-invigorate existing governance, strategy and org. processes in IS
- 4.1.3. Develop Service Level Agreements (SLAs) with customers
- 4.2.1. Develop a Project Management methodology
- 4.2.2. Implement an ITU-wide information management policy and strategy
- 4.2.8. Re-organise and rationalise IT services

- **Implementation of the following Dalberg Recommendations:**

- 6.1: Re-engineer administrative business processes, particularly in the areas of finance, HR, procurement, sales, projects and travel, to leverage fully an integrated electronic processing.
- 6.2: Simplify and update the control framework currently in place to allow greater decentralization of authority once the IT improvements are in place.
- 6.3: Reinforce accountability for performance commensurate with greater decentralization of responsibility.
- 4.2.3. Increase the footprint of core administrative systems
- 4.2.4. Extend document management system and roll-out e-Collaboration tools
- 4.2.5. Rationalise the applications portfolio in use at ITU
- 4.2.6. Design a new IT infrastructure architecture
- 4.2.7. Conduct an outsourcing opportunity review
- 4.2.9. Improve access to information for members, management and staff

It is strongly recommended to foresee a phased approach, where deliverables are grouped together.

4. Project Calendar

ITU has set its own objectives and established a plan in order that all these actions should be fully implemented in the course of next two years. A presentation by short-listed Bidders is foreseen for August 12-13, 2004 and start of the project is estimated for September 2nd, 2004.

4.1 Implementation of the new Budgetary and Cost Management System

It is imperative that Recommendations 1, 2 and 4.1 of Dalberg are implemented by the end of 2004 so that the result-based budget and the new cost accounting methodology are in place in time for the preparation of the 2006-2007 budget, more specifically:

Phase A, to be implemented by the end of 2004

- Budgetary system and IT Toolbox
- Detailed design and prototype of the Time tracking system
- Detailed design and prototype of the Cost Accounting System.

Phase B, to be implemented by June 30, 2005

- Full implementation of the Time tracking system
- Full implementation of the Cost Accounting System.

4.2 Rationalisation/integration of the ICT strategy

Definition and communication of the ICT strategy as the basis for the rationalisation of the ICT by October 30, 2004

4.3 Detailed implementation plan of the ICT strategy and BPR

Detailed implementation plan of the revised ICT strategy and of the business process reengineering by December 31, 2004

4.4 Implementation of ICT strategy and of other Dalberg Recommendations

Rec. 4.1.2. Re-invigorate existing governance, strategy and org. processes in IS by October 1st, 2004

Rec. 4.1.3. Develop Service Level Agreements (SLAs) with customers by end of 2004

Rec. 4.2.1. Develop a Project Management methodology by October 1st, 2004

Rec. 4.2.2. Implement an ITU-wide information management policy and strategy January 1st, 2005

Rec. 4.2.3. Increase the footprint of core administrative systems by January 1st, 2006

Rec. 4.2.4. Extend document management system and roll-out e-Collaboration tools by January 1st, 2006

Rec. 4.2.5. Rationalise the applications portfolio in use at ITU by January 1st, 2006

Rec. 4.2.6. Design a new IT infrastructure architecture by October 30, 2004

Rec. 4.2.7. Conduct an outsourcing opportunity review by January 1st, 2006

Rec. 4.2.8. Re-organise and rationalise IT services by March 1st, 2006

Rec. 4.2.9. Improve access to information for members, management and staff by June 30, 2006

Rec. 6.1: Re-engineer administrative business processes, particularly in the areas of finance, HR, procurement and travel, to leverage fully an integrated electronic processing by June 30, 2005.

Rec. 6.2: Simplify and update the control framework currently in place to allow greater decentralization of authority once the IT improvements are in place. By January 1st, 2006

Rec. 6.3: Reinforce accountability for performance commensurate with greater decentralization of responsibility. By June 30, 2005

References

All the documented cited in this Annex are available at the following URL: to be defined.

Appendix 1

Inputs for revised IT strategy

The proposed revised IT strategy should follow the Dalberg Recommendations, and more general should take into account the following inputs, but not limited to:

IT infrastructure

Design a new IT infrastructure architecture

Create a clear overview of the business requirements regarding the IT infrastructure. Conduct a technical assessment to assess if the infrastructure can meet ITU business requirements and to identify areas for improvement. Create an architecture and plan for database management systems and middleware, server operation and maintenance and telephone systems upgrade, the current PABX system is nearing obsolescence (Recommendation 4.2.6)

Implement an ITU-wide information management policy and strategy

An ITU wide policy and strategy on information management should be set. The proposed policy and strategy should include an implementation plan. (Recommendation 4.2.2)

Application Integration Architecture

ITU administrative system is composed by the union of the three main packages, SAP, HR Access and Documentum. It should be defined the application to application integration architecture that fix how HR Access and Documentum are integrated with SAP, on data, processes and interfaces. The same architecture should define how satellite applications will be integrated within the ITU ERP.

In addition a Portal architecture should be defined, and inside this architecture the integration of the main three packages (SAP, HR Access and Documentum) should be taken in account, together with definition of the standard integration in the portal for satellite applications. Portal technologies will be the main interface on which all the new services will be delivered. (Implied in all Recommendations)

Portal Architecture

Create a “one window” from which ITU staff can manage their personal information (e.g. timesheet, expense claim and management reporting). This same “window” can be used by Members to manage their information (e.g. meeting documents, meeting schedule). This window will be realised with the help of portal technology that enables the ITU to integrate all the separate sources of information within a user-friendly environment. (Recommendation 4.2.9)

Service

Develop Service Level agreement with customers

Service level agreements should be introduced for most of the services provided by and for ITU. This will enable the ITU to manage her IT processes more closely and it will assist ITU in planning of services, decisions on outsourcing or improving infrastructure and manage ITU wide IT spending. (Recommendation 4.1.3)

Re-organize and rationalize IT services

Once defined and implemented the base IT strategy, an assessment of the currently IT services should be done. The IS organization and its business processes should be aligned with the service requirements from the organization and a consolidation of skills and a reduction in the applications portfolio should be realized. (Recommendation 4.2.8)

Application Portfolio Change

Extend document management system and roll-out e-Collaboration tools

The ITU Document Management System (DMS), based on Documentum, should cover all areas within ITU where document management is currently supported by other applications. In close cooperation with the information management policy, additional areas of deployment are assessed and supported by a business case. (Recommendation 4.2.4)

Rationalize the number of satellite applications

ITU sustains approximately 98 applications to support administrative processes including an ERP (SAP) and a specific application for human resources processes (HR / Access). An assessment of which business processes are supported by which applications should be the start, from that point all duplications should be systematically addressed and if possible eliminated. (Recommendation 4.2.5)

Business Process Integration

Increase the footprint of core administrative system

It should be realigned SAP to fully leverage ERP functionality. Administrative processes concerning financial administration, cost controlling, materials management (including purchasing) and sales & distribution (including e-business) should be reconfigured in SAP. Processes should reflect industry best practices, unless there is a solid business case to deviate. Administrative processes should be uniform across the ITU, encouraging transparency and increased usability. Extensive business process re-engineering should simplify, standardise and automate current processes supported by SAP and other applications. (Recommendation 4.2.3)

Sourcing

Review existing IT Governance and organizational processes

Review the IT Governance structure and procedures IT organization of ITU to facilitate the implementation and communication of the ICTC strategy. (Recommendation 4.1.2)

Project management

Develop and communicate ITU's project management methodology, to support uniformly the management of the projects, starting from the implementation of the ICTC strategy. (Recommendation 4. 2.1)

Conduct an Outsourcing opportunity review

It is necessary to identify and review potential areas for outsourcing once the Recommendations, included in IT strategy, relating to governance, cost allocation and service management have provided ITU with the necessary transparency to compare their service levels and associated costs with that of other providers and make a fundamental decision to outsource (part of) the infrastructure, a business process or application. (Recommendation 4.2.7)