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THE INTERNATIONAL MONETARY FUND'S IT STRATEGIC SOURCING INITIATIVE

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Summary

I. MANDATE

1. The IMF has embarked on an IT strategic sourcing initiative in order to improve the overall effectiveness of IT resource utilization in the institution by adopting a global sourcing strategy and performance-based contracts for delivering IT services. IT responsibility in the IMF resides in the Technical and General Services Department (TGS/IT). Preliminary investigation by TGS indicates the potential for significant savings (up to 30-40 percent) in labor costs for some IT services once a global sourcing approach has been fully implemented.

2. Over the course of the past several years, the mandate for TGS/IT to pursue global sourcing has increased. A review of the organization's information technology conducted in 2004 concluded that, while the IMF's IT outlays are not significantly out of line with comparator institutions, there could be opportunities for gains in effectiveness and efficiency through global sourcing. This finding was supported by IMF management and its Executive Board. It is recognized that global sourcing must be implemented in a manner that complies with the IMF's Outsourcing Policy and Procedures.

II. SOURCING STRATEGY

3. TGS has developed an IT sourcing strategy, with assistance from Gartner consultants and in consultation with the Business Advisory Group that entails adopting a global sourcing approach for delivering IT services with lower IT costs and achieving greater efficiency and effectiveness. The Business Advisory Group (BAG) is comprised of representatives from major IT user departments, such as the Statistics Department. The purpose of the BAG is to serve as a consultative and advisory body to TGS on the implementation of IT sourcing strategy.

4. The IT sourcing strategy has four main elements: 1) taking advantage of global sourcing to reduce manpower costs and deliver IT services more efficiently for the long term; 2) moving towards performance-based contracting with strategic partners and reduce dependency on the current skill-oriented, staff augmentation method; 3) developing a long-term IT staffing model and enhanced organizational structure that best support the new sourcing strategy and that reflect industry best practices, and 4) continuing to strengthen IT processes and information security.

III. IMPLEMENTATION APPROACHES

5. The consultants' recommendation is to transition to a multi-vendor sourcing model, following a phased implementation over the next 3 years that takes into account the potential for efficiency gains, the IMF's readiness for global sourcing, and sourcing maturity for major bundles of IT services. The first phase for global sourcing involves applications development and maintenance services, followed by the infrastructure services and the infrastructure support services.

6. A three-year timeframe is envisaged for implementing the sourcing strategy roadmap; it consists of four main work streams:

- ***Applications Development and Maintenance Services***, beginning with two pilot projects and transitioning to full life-cycle development and maintenance for a substantial part of the IMF's applications portfolio.
- ***Infrastructure and Infrastructure Support Services***. These services would be bundled into two different RFPs; the bundles leverage common management of services and enable seamless interactions among support personnel in providing these services.
- ***Realignment of the IT staffing model and organization***. Modifications to the current IT organization will be needed in order to successfully execute a global sourcing strategy, including, for example, creating new roles for vendor relationship management and performance management. The IT organization will need to shift its focus from delivering IT services to managing the delivery of services.
- ***Implementation of continuous IT process improvement***. The IMF can realize efficiency gains and higher quality IT services by improving key IT processes, such as

business requirements analysis and quality assurance. Improved processes will facilitate operations of a globally sourced IT organization and maximize cost savings.

7. TGS is responsible for planning, coordinating, and managing the IT strategic sourcing initiative. Because involvement and support of all stakeholders is paramount to the success of this initiative, the Business Advisory Group has been established to advise TGS on the effective implementation of the strategic sourcing strategy.

A. Applications Development and Maintenance Stream

8. The implementation of global sourcing for applications development and maintenance services will begin by establishing the overall framework for long-term relationships with one or two suitable strategic partners. Once the strategic partner(s) are selected, two pilot projects will be undertaken to evaluate the effectiveness of such arrangement between the IMF and the strategic partner(s). Once the pilot project is deemed successful, the global sourcing approach will be applied to the development and maintenance of the IMF's applications (on the basis of cost-benefit analysis to be jointly undertaken by TGS, OBP and the responsible user departments) in a phased manner.

The Request for Proposals (RFP)

9. The purpose of the RFP is to select one or two strategic partner(s), using a competitive bidding process, which can provide full application life-cycle support (development and maintenance) for the IMF's portfolio of applications. The RFP specifies the services that will be performed by the successful vendor, and the IMF's expectations for how these services will be delivered. The RFP documents also provides other information necessary for a vendor company to submit a financial bid.

Service Levels

10. The RFP will result in an outsourcing agreement with the strategic partner(s) for delivery of application development and maintenance services that have been contracted. One of the main purposes of this agreement is to specify the IMF's minimum service-level requirements (SLRs) for the work to be delivered. A major factor in evaluating the success of the pilot and chosen vendor will be their demonstrated ability to consistently meet or exceed the SLRs. When applications are actually outsourced, it is envisaged that some will require their own higher (or maybe lower) SLRs; these SLRs will be developed separately for each application, in close collaboration with the application owners. This effort is part of a portfolio assessments exercise and must occur prior to taking a decision to outsource a particular application.

Selection of Strategic Partner(s)

11. A short list of vendor companies have been asked to bid on the RFP on the basis of the consultant's comprehensive market research. The vendor companies were selected as having the sufficient capabilities, resources, and solid track record for providing the application development and maintenance services in a global sourcing model. Four vendor companies that currently provide the services to the IMF were also added to the list, for a total of 10 vendor

companies. The vendor companies will be selected by an evaluation committee; members of this committee will be drawn from TGS, the Office of Budget and Planning (OBP), and one or two user departments. The evaluation committee will first narrow the list of bidders to a small number of finalists (for example, no more than three companies) and conduct “due diligence”, including reference checks and site visits. It is expected that one or two vendor companies will be selected as the successful bidder(s).

Pilot Projects

12. The pilot consists of two projects to develop application software for the IMF. The main objectives are to assess the gains that can be realized through global sourcing, and evaluate the success of the global sourcing process and the relationship dynamics between the strategic partner(s) and the IMF. The pilot will be undertaken over a 4- to 6-month period. The evaluation of the pilot will be measured using the criteria listed in Table 1 below. On the basis of the pilot results, the IMF would move into a full-scale implementation of sourcing the application development and maintenance services.

Table 1: Pilot Evaluation Criteria

Key Success Factor	Measurement
1. Cost savings	Evidence of cost savings (relative to the costs of the current approach)
2. Service Level Requirements (SLRs)	SLRs for the pilot met or exceeded
3. Client satisfaction	Work quality, timeliness of services, and deliverables provided
4. Process maturity and compatibility	Maturity of work processes used and their compatibility with IMF work processes
5. Strategic partner's management capability and commitment to the IMF	Demonstrated management ownership for success and close organizational alignment with the IMF; the importance of the IMF as a client

Portfolio Assessments

13. Concurrent with the pilot, the IMF will undertake a detailed portfolio assessment, looking in detail at each application and conducting an assessment of cost/benefits of outsourcing, sourcing readiness, and risks. This assessment will be conducted by TGS in conjunction with OBP and the application owner(s) that has primary responsibility for the application. The assessment will also consider how to manage the transfer of knowledge from the present vendors to the sourcing partner. Depending on the outcome of the pilot, the next step will be to determine the phasing and timeline for outsourcing the IMF's portfolio of applications, as determined in part by findings from the portfolio assessments.

V. INFRASTRUCTURE AND INFRASTRUCTURE SUPPORT SERVICES STREAM

14. An independent benchmarking exercise will be undertaken over the next months to develop a baseline benchmarking of current infrastructure costs and effectiveness. The benchmark data will enable the IMF to better evaluate the viability of outsourcing the infrastructure services. An RFP would be issued for these areas once the benchmarking exercise is completed. The previously outsourced Help Desk would be re-bundled with additional services, including distributed computing, voice communications and multimedia distribution services (referred to as the Infrastructure support services bundle). An RFP would be issued for this bundle, timed for when the existing Help Desk contract is up for re-bid.

VI. STAFFING MODEL AND ORGANIZATIONAL ALIGNMENT STREAM

15. The current IT staffing model, which heavily relies on a staff augmentation method, will need to change in order to provide greater visibility to business value activities and to accommodate new roles relevant in the output-oriented global sourcing environment. Internal staff resources now focused on delivering task-oriented services will focus on strengthening high business value activities, such as aligning business needs and IT solutions, developing enterprise and technical architectures, managing service levels, and leveraging technologies to better support core business needs. New roles will be needed to support the global sourced environment, such as performance management and vendor relationship management. Training programs will be established to help IT staff develop competence and skills in these new areas and a new IT organizational structure will be developed to support a global sourcing model and that reflects best practices in the IT industry.

VII. CONTINUOUS IT PROCESS IMPROVEMENT STREAM

16. Effective IT processes are central to enabling an organization to make the shift from delivering services to managing services. Process improvement is also a key to increasing effectiveness and efficiency. In parallel with global sourcing, TGS will develop and execute a program that focuses on improving processes that are key to global sourcing, e.g., requirements definition, change management, QA/code inspection, testing, project management, etc. A first step will be to identify the top priority processes. Training and compliance programs will also be developed involving key business units. TGS will also develop sourcing management processes as experience in this area grows.
