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## FINANCE COMMITTEE

**Hundred and Forty-second Session**

**Rome, 7 - 8 November 2011**

**Efficiency at WFP**

Queries on the substantive content of this document may be addressed to:

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### EXECUTIVE SUMMARY

- The WFP Secretariat is pleased to submit "Efficiency at WFP", prepared for the Executive Board's consideration.
- This paper seeks to capture the essence of WFP's approach to efficiency.
- The first section highlights a number of past successes and current improvement efforts as examples of how WFP pursues efficiency across its value chain.
- The second section outlines how WFP is putting in place the necessary tools to increase efficiency through improved financial management and reporting practices, comprehensive resource planning, and decision-making structures, and enhanced performance management.
- Going forward, WFP will continue to report to donors on its progress with efficiency improvements via the Annual Performance Report.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to review the document and provide any comments it deems fit for consideration by the Executive Board.

### Draft Advice

- In accordance with Article XIV of the General Regulations of WFP, the Finance Committee reviewed the document "Efficiency at WFP" and made comments to the Executive Board in the report of its 142nd Session.

برنامج  
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Programme  
Alimentaire  
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Programme

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Mundial  
de Alimentos

**Executive Board  
Second Regular Session**

**Rome, 14–17 November 2011**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 5**

*For consideration*

# **E**

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## **EFFICIENCY AT WFP**



This document is printed in a limited number of copies. Executive Board documents are available on WFP's Website (<http://www.wfp.org/eb>).

## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for consideration**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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## EXECUTIVE SUMMARY

Efficiency is at the heart of WFP's work. In emergencies, every minute counts when it comes to reaching the most vulnerable with life-saving food. Every dollar saved means that WFP can reach more hungry people with much-needed food assistance. Moreover, as an agency funded entirely by voluntary contributions, WFP constantly pursues efficiency as a means of ensuring the Programme's competitiveness and delivering on the trust and confidence placed in WFP by donors.

WFP pursues efficiency across all aspects of its value chain. From preparedness efforts to food distribution to underlying support systems, many WFP systems and processes have been designed – and over time, modified – to deliver cost and time efficiencies, while maintaining high-quality programming. Recognizing that efficiency improvement is a continual process, the organization has been taking steps to strengthen its approach to efficiency.

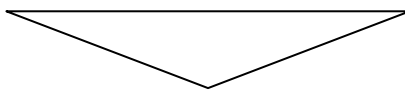
This paper seeks to capture the essence of WFP's approach to efficiency. The first section highlights a number of past successes and current improvement efforts as examples of how WFP pursues efficiency across its value chain, including through:

- advance financing mechanisms that enable time and cost savings, such as the use of Immediate Response Account funds to scale up operations along the Tunisian border with Libya in February 2011 and the use of Working Capital Financing Facility funds to reduce delivery times in Kenya by 30 days;
- the import parity approach, which is estimated to have saved between 23 and 33 percent of the cost of commodities in 2010;
- the use of United Nations Humanitarian Response Depots to respond swiftly to emergencies, such as the 2010 floods in Pakistan and the 2011 tsunami in Japan; and
- implementation of the WINGS II enterprise resource planning software, with an estimated recurring annual cost saving of US\$11.55 million.

The second section of the paper outlines how WFP is putting in place the necessary tools to increase efficiency through improved financial management and reporting practices, comprehensive resource planning and decision-making structures, and enhanced performance management. WFP will continue to report to donors on its progress with efficiency improvements via the Annual Performance Report.

The Secretariat is convinced that efficiency in WFP and throughout the United Nations must be tackled strategically. By building stronger internal systems to measure and report on the cost and use of resources, and supporting these with robust decision-making structures, WFP will remain at the forefront in delivering cost-efficient humanitarian assistance and will continue to contribute to greater efficiency throughout the United Nations system.

## DRAFT DECISION\*



The Board takes note of “Efficiency at WFP” (WFP/EB.2/2011/5-E/1).

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

## INTRODUCTION

1. Efficiency is at the heart of WFP's work. In emergencies, every minute counts when it comes to reaching the most vulnerable with life-saving food. Every dollar saved means that WFP can reach more hungry people with much-needed food assistance. Moreover, as an agency funded entirely by voluntary contributions, WFP constantly pursues efficiency as a means of ensuring the Programme's competitiveness and delivering on the trust and confidence placed in WFP by donors.
2. This efficiency mindset can be seen across WFP's "value chain", from the point at which donor funds are received to the moment in which food assistance is delivered to the individual. Over time, WFP has modified and refined its business practices and policies to pursue greater efficiency. WFP has also made key strategic investments in technology and has encouraged innovation across the organization as a means of fostering efficiency.
3. This document is a response to a request by the Board at its 2010 Annual Session.<sup>1</sup> The Resource Management and Accountability Department (RM), in extensive consultation with divisional managers, coordinated the collection of information on WFP initiatives to present this overview of efficiency at WFP.

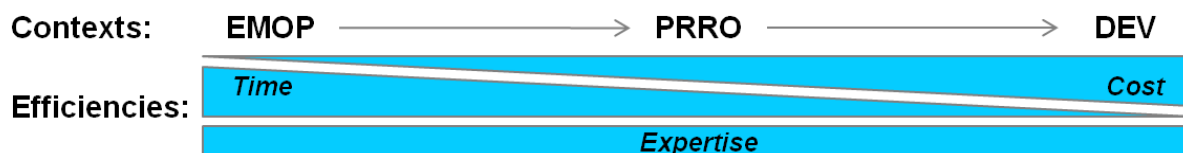
### What is Efficiency?

4. For the purposes of this paper, WFP has adopted the definition of efficiency offered by the Organisation for Economic Co-operation and Development (OECD):

A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.<sup>2</sup>

5. For WFP, efficiency is a factor of both time and cost. In emergency situations, time is often the most critical factor: food needs to be delivered immediately to save lives and meet pressing needs, even if the resulting costs are higher than in a normal situation. The efficient use of funds – cost efficiency – is a critical factor for all operations. For longer-term operations, food needs to be made accessible at the lowest cost possible, while maintaining the quality and continuous operation of programmes. WFP expertise must be used efficiently across all programming contexts to ensure maximum impact.

**Figure 1: Balancing Time, Cost and Expertise Efficiencies Across Programming Contexts**



<sup>1</sup> Decision 2010/EB.A/2

<sup>2</sup> Working Party on Aid Evaluation. 2010. Glossary of Key Terms in Evaluation and Results-Based Management. OECD, Paris. Available at [www.oecd.org/dataoecd/29/21/2754804.pdf](http://www.oecd.org/dataoecd/29/21/2754804.pdf)

## Approach

6. This paper seeks to capture the essence of WFP's approach to efficiency. Specifically, it:
  - highlights a number of past successes and current improvement efforts as examples of how WFP pursues efficiency across its value chain;
  - outlines how WFP is putting in place the necessary tools to increase efficiency through improved financial management and reporting practices, comprehensive resource planning and decision-making structures, and enhanced performance management.
7. To prepare this paper, a thorough review of WFP reports and project documentation was undertaken. This paper presents and highlights only a portion of the total number of efficiency initiatives that were researched. An abridged list of the initiatives can be found in the Annex.
8. For the Secretariat, the preparation of this paper has provided a valuable opportunity for WFP to reflect on its own progress with respect to efficiency as well as on areas for further strengthening. A number of the discussions that have been generated through the preparation of the document will be carried forward in internal management decision-making structures, including the Executive Management Council (EMC).

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## EFFICIENCY ACROSS WFP'S VALUE CHAIN

9. WFP pursues efficiency across all aspects of its value chain. From preparedness efforts to food distribution to underlying support systems, many WFP systems and processes have been designed – and over time, modified – to deliver cost and time efficiencies, while maintaining high-quality programming.
10. While some of these efficiencies clearly stand out as recognizable innovations or new initiatives, others may be overlooked as simply part of the background of WFP's daily work. It is important to recognize, however, that some of these “hidden” efficiencies relate to WFP's largest cost drivers and the areas of work in which timing is critical; thus they deserve to be analysed further. For example, food procurement accounted for nearly one third of all WFP expenditure in 2010, totalling US\$1.3 billion: even small efficiency improvements in procurement processes have a large impact on cost savings.
11. For the purpose of this paper, approaches to efficiency across the core areas of WFP's value chain – Preparedness and Forward Planning; Procurement; Shipping and Transport; Programme and Distribution; Human Resources, Information Technology, Finance and Treasury support functions – have been organized into a simple framework for analysing impact on the work of the organization (see Figure 2 below).



**Figure 2: Core Areas of WFP Value Chain**

### Preparedness and Forward Planning

12. WFP has to be ready to respond efficiently both to rapid-onset and protracted emergencies; it is able to respond immediately in emergencies when resources and procedures are in place beforehand. WFP achieves this state of readiness through a series of mechanisms, including advance financing facilities, stand-by partners and a network of strategically located humanitarian depots. WFP will continue to improve its preparedness by expanding its forward planning, purchasing and positioning and through its Preparedness and Response Enhancement Programme (PREP).

⇒ *Advance financing*

13. Advance financing is a significant efficiency innovation for WFP, as timely financing is critical for efficient food procurement and delivery. Advance financing allows funds for operational purposes to be released before donor contributions arrive, increasing time efficiency throughout the supply chain and allowing projects to be implemented faster and often at lower cost. WFP's recent rapid response to the Horn of Africa drought was a case in point. Advance financing facilities have expanded in recent years and spending authorization now amounts to over US\$500 million.

14. The main advance financing facilities now in use at WFP are the Immediate Response Account (IRA), the Working Capital Financing (WCF) Facility and the Forward Purchase Facility (FPF), as shown in Table 1. The evolution of WFP advance financing facilities, including estimates of their time and cost efficiencies, is described in "Review of the Working Capital Financing Facility".<sup>3</sup>

Facility	Funds available (US\$ million)	Description
Immediate Response Account (IRA)	70	Funds available for immediate disbursement in – and in preparation for – emergencies
Working Capital Financing (WCF) Facility	407	Funds available to country offices for food purchases prior to confirmed contributions
Forward Purchase Facility (FPF)	150	Funds available for food purchases prior to confirmed country needs

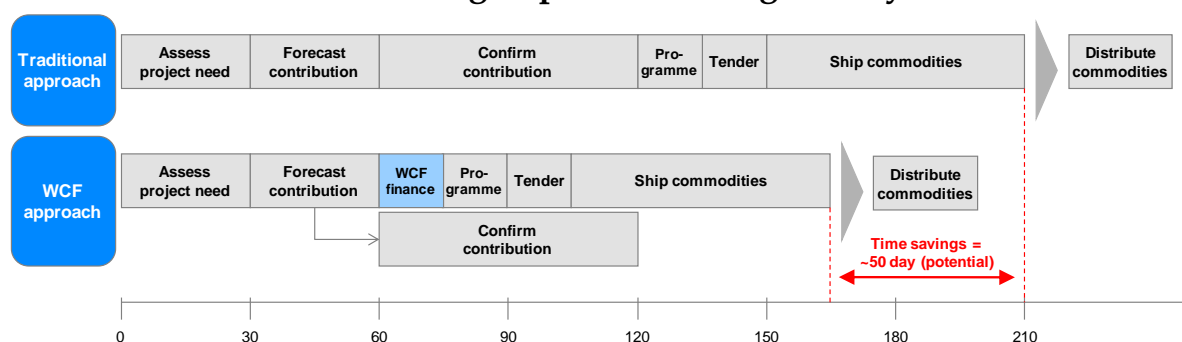
15. The IRA was established in December 1991. Its original level of US\$30 million was raised to US\$35 million in 1995 and to US\$70 million in 2004. The IRA is a multilateral facility that enables WFP to provide immediate assistance in life-threatening situations and to support emergency preparedness activities. It has proven to be a very effective mechanism for responding quickly to food crises as they arise. In February 2011, for

<sup>3</sup> WFP/EB.2/2010/5-B/1

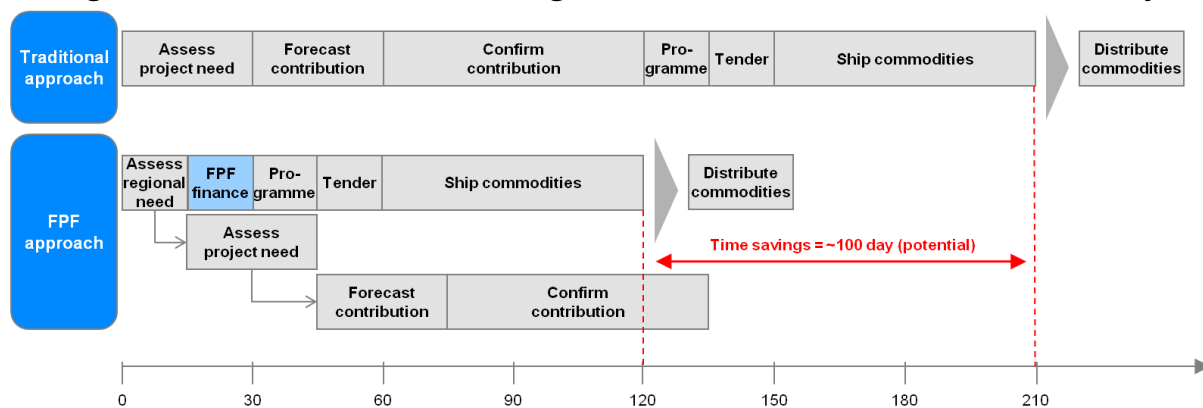
example, WFP released US\$500,000 in IRA funds to support the immediate scale-up of its operations along the Tunisian border with Libya. The funds allowed WFP to provide urgent humanitarian assistance to 50,000 people fleeing conflict in Libya.

16. The WCF Facility makes it possible to purchase food in advance of confirmed contributions. An ongoing WFP project can therefore guarantee regularity and stability in its distribution, even if the funding situation is variable. More importantly, it allows new projects, particularly emergency operations, to get under way quickly.
17. Based on project experience, this kind of advance financing has the potential to save up to 50 days in the distribution of commodities from when project needs are assessed. For example, when severe drought caused a spike in the number of hungry people in Chad in 2010, the WFP project in Chad used the WCF Facility to ramp up activities in the first three months, before donor contributions started coming in. In another instance, the use of the WCF Facility to purchase and transport food in 2010 for a protracted relief and recovery operation in response to drought in Kenya saved an estimated 30 days. In 2010, 59 projects received US\$400 million in working capital financing, an amount likely to climb in 2011 with the newly increased financing limit of US\$557 million.

**Figure 3: Estimated Time Savings Under the Working Capital Financing Facility**



18. Forward Planning and Purchase is the most recent addition to WFP's portfolio of advance financing methods. Combining WFP's import parity procurement and advance finance capabilities, the Forward Purchase Facility (FPF) is a revolving fund of US\$150 million that allows WFP, on the basis of an estimate of aggregated regional needs and funding forecasts, to purchase commodities before country offices submit requests.
19. The FPF was created in 2008 in response to the high food price crisis, with a ceiling of US\$60 million. This ceiling was raised to US\$150 million in 2010 in light of the benefits that it brought. WFP estimates that purchases made through the FPF can save 50 days on the distribution of commodities from when regional needs are forecasted. Forward purchases can also take advantage of seasonal fluctuations in commodity prices and can secure stocks at below-average costs in the post-harvest period.
20. WFP is currently using the FPF to build up a stock of ready-to-use supplementary food to be used in the immediate response to simultaneous emergencies that could strain supply availability. Greater utilization of the FPF will enable WFP to forward position larger stocks of humanitarian assistance.

**Figure 4: Estimated Time Savings under the Forward Purchase Facility**

21. The recent Horn of Africa crisis highlighted the importance of the Forward Planning and Purchase approach. From June to August 2011, the Secretariat authorized the procurement of US\$250 million of food using the FPF. This led to critical time savings because purchasing could begin while donor contributions were still being mobilized.

⇒ *Rapid response via standby partners, humanitarian response depots and forward positioning*

22. Rapid access to staff, services and supplies is essential when faced with a sudden demand for humanitarian assistance. WFP's rapid response capability depends on, among other things, its standby partners, humanitarian response depots and forward-positioned food stocks.

23. WFP standby partners are government agencies, non-governmental organizations (NGOs) and commercial companies that have agreed to maintain a roster of rapidly deployable staff, services and equipment to support WFP emergency operations. Standby partner contributions allow WFP to scale up operations rapidly in the event of an emergency and to fill critical gaps in skills that fall outside the purview of WFP's core competencies. These partnerships and the in-kind contributions they provide not only enhance WFP's emergency response but also reduce the cost. In 2010, the value of standby partner contributions was an estimated US\$18 million. The contributions in 2010 included five major support projects, including the rapid construction of a base camp to house WFP staff in Haiti and the deployment of 115 standby partner staff to support WFP operations.

24. Pre-positioning of supplies has a long history at WFP. Using the regional United Nations Humanitarian Response Depot (UNHRD) system and pre-positioning food stocks directly in countries, WFP has become proficient at the rapid deployment of supplies from strategically located points.

25. In 2010, WFP used the UNHRD network to respond to six major emergencies within hours of receiving requests for support. The UNHRD in Dubai was used to respond swiftly to the flooding emergency in Pakistan. Following the earthquake and tsunami in Japan, the UNHRD in Malaysia sent 86 mt of essential food and supplies within 48 hours of the appeal for help. In addition to guaranteeing rapid response times, the UNHRD network also leads to cost efficiencies in emergencies. After the earthquake in Haiti, the UNHRD in Panama was able to ship goods at 40 percent of what it would have cost to ship them from the central warehouse in Brindisi, Italy.

26. WFP routinely pre-positions food in countries in advance of expected food shortages, whether arising from seasonal trends or from emergencies. For example, for several years

WFP has pre-positioned food in the Sudan ahead of the rainy season, when roads become impassable and food supplies scarce. More recently, WFP pre-positioned a month's worth of food throughout Haiti in anticipation of Hurricane Emily.

27. WFP is continuing to build up its pre-positioning expertise and is placing increasing volumes of essential food stocks in forward positions for rapid deployment. In the coming years, these forward positions will be organized into humanitarian assistance corridors to optimize response times. Facilitated by forward purchasing, the pre-positioning of food will enable WFP to increase the effectiveness of its humanitarian response programmes and reduce the impact of food price volatility on its operations.

⇒ *Preparedness and Response Enhancement Programme*

28. WFP is constantly seeking to improve its state of preparedness. The Preparedness and Response Enhancement Programme (PREP) is designed to increase the efficiency of WFP's emergency responses through several initiatives to be rolled out from 2011 to 2013. These involve a variety of WFP departments and include the enhancement of WFP management's capacity to make informed and timely decisions in emergency situations. They include:

- revisions to the corporate response activation protocol, to establish clearer response management and to align the protocol to new arrangements for the delegation of authority and control;
- the establishment of an operations centre for level III emergencies, to ensure operational coherence among key WFP units during an emergency response;
- the development of information management tools such as standardized reporting formats and guidelines, to support strategic and operational decision-making.

29. These and other PREP initiatives will enhance WFP's ability to respond swiftly and cost-effectively to emergencies anywhere in the world.

## Procurement

30. Efficiency has long been fundamental to WFP's procurement activities. WFP's procurement procedures provide several good examples of how efficiency is central to WFP's basic activities.

⇒ *Import parity delivers significant cost efficiencies*

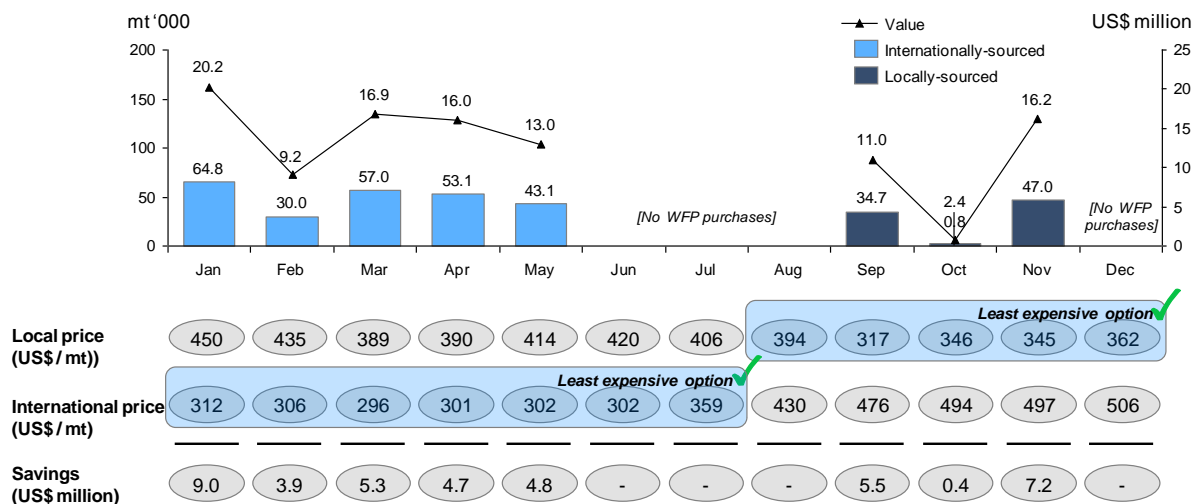
31. WFP's import parity approach is designed to be as efficient as possible, and works by comparing local with international sourcing costs and delivery times for food. Each purchase request is evaluated with reference to cost and delivery time to determine whether local or international procurement is preferable, while keeping quality considerations constant. Where time is not an overriding issue, the lowest cost source is chosen.

32. The import parity approach allows for major cost savings. For example, in 2010 the Ethiopia country office saved more than US\$40 million out of a total purchase cost of US\$72 million for wheat by shifting from international to local sources as prices changed during the year. Early in the year, when international prices were lower, WFP bought exclusively from international sources. Later, as international prices rose above local prices, it shifted to local procurement.<sup>4</sup>

<sup>4</sup> The estimated savings are calculated as the volume in metric tons multiplied by the absolute difference between the local and the international price. Prices are the average market prices for the month. The prices actually paid by WFP vary slightly according to the volume purchased and fluctuations in market and shipping costs.

### Figure 5: Dynamic Purchasing Ensures WFP Always Purchases at the Best Price

Example: 2010 purchases of wheat in Ethiopia swung from international to local sourcing in response to shifts in relative pricing, saving an estimated US\$40 million

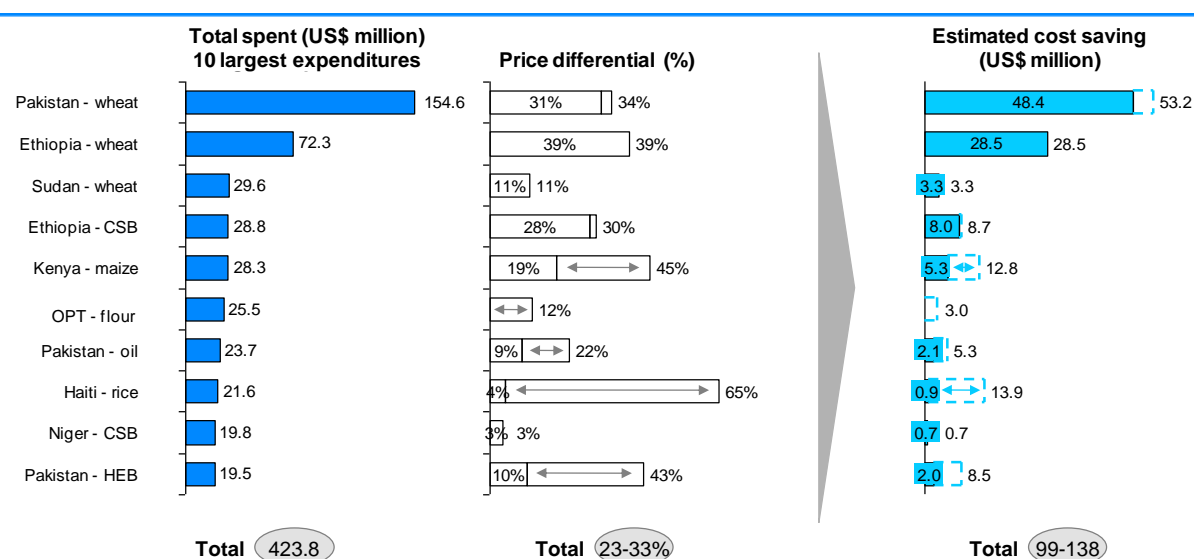


33. These savings are not limited to individual countries. An analysis of the price differences between the lowest and next-best quotes from suppliers for more than one third of all of WFP’s 2010 food procurement expenditure suggests that the import parity approach led to savings of between 23 and 33 percent (at least US\$99 million) of the cost of commodities.<sup>5</sup>

<sup>5</sup> The estimated savings are calculated as the amount spent on a commodity in 2010 multiplied by the difference between the lowest quoted or actual purchase price against a range of next-best alternative quotes from suppliers, as recorded in the Import Parity Form, divided by the lowest quoted or actual purchase price. The annual price difference given is based on the weighted average of the monthly differences. The actual purchase price is used where it includes all shipping and handling charges – when it is not used, the prices actually paid by WFP diverge from the lowest quote according to the market price on the day of purchase, the volume purchased and fluctuations in shipping costs.

## Figure 6: Import Parity Process Delivers Large Cost Savings

WFP saved an estimated 23-33% on the ten largest commodity expenditures by purchasing at lowest cost through the import parity procurement process



CSB = corn-soya blend

HEB = high-energy biscuits

### ⇒ Global Vehicle Leasing Programme

34. Established in 2007, the Global Vehicle Leasing Programme (GVLP) has reduced the cost of vehicle procurement for country offices worldwide. Under the GVLP, WFP purchases vehicles centrally at a bulk discount and provides them to country offices under internal lease arrangements. The GVLP has increased the utilization of WFP's vehicles and significantly reduced automotive costs: it currently holds nearly 1,300 light vehicles, with an estimated cost saving of more than US\$3.5 million per year. A self-insurance scheme put in place through GVLP currently covers 3,000 WFP vehicles for an estimated cost saving of US\$1 million per year.

## Shipping and Transport

35. The timely and cost-efficient movement of food and goods to where they are needed is a critical element of WFP's efforts. In rapid-onset disasters, air transport can make the difference between reaching beneficiaries in time and being too late. In other circumstances, minimizing shipping expenses maximizes the impact of donor contributions.

### ⇒ United Nations Humanitarian Air Service

36. In providing a safe and reliable air transport service to the entire humanitarian community, WFP also focuses on delivering efficiency in time and cost. In 2010, the United Nations Humanitarian Air Service (UNHAS) operated by WFP transported more than 350,000 humanitarian passengers and nearly 15,000 mt of humanitarian food and supplies.

37. The United Nations Humanitarian Air Service (UNHAS) pursues cost efficiency through competitive bidding for charter aircraft to ensure the lowest possible costs. WFP also retains the flexibility to terminate contracts at short notice if lower charter costs become available.

38. During emergencies, the cost of chartering aircraft can increase by up to 55 percent as a result of competing demand from humanitarian and government agencies. To mitigate such price increases and ensure flight reliability, WFP has standby aircraft ready for deployment at short notice in emergencies. UNHAS's standby aircraft are based in Uganda, for rapid deployment across Africa, which has accounted for 70 percent of requests for emergency aircraft to date.
39. As the manager of UNHAS, WFP is responsible for its operating costs, which are partially recouped from UNHAS users through a cost-recovery system. In 2011, UNHAS flight management software was upgraded to a centralized, web-based application to facilitate flight planning, tracking and cost recovery. This will make it possible for WFP to recover costs more accurately and will enhance efficiency throughout the service.

⇒ *WFP shipping services*

40. WFP ships at a scale that allows it to pursue major cost savings by negotiating favourable pricing on contracts, as well as by handling shipping arrangements separately, rather than requesting suppliers to bundle shipping costs into commodity prices. In 2010, WFP's shipping division moved 533,000 mt of food. These in-house arrangements are estimated to have saved US\$11.1 million in shipping expenditures over the cost that would have been incurred by contracting shipping services through food suppliers in 2010. For the three years 2008 to 2010, the savings amounted to an estimated US\$40 million.
41. WFP achieves further cost efficiencies by making its own arrangements for the offloading and bagging of some bulk commodity donations at destination ports. In 2010, WFP arranged offloading and bagging for 16 shipments, yielding an estimated cost saving of US\$3.6 million. From 2008 to 2010, savings amounted to an estimated US\$14.8 million.

## **Programme Implementation and Food Distribution**

42. In WFP's programme implementation and food distribution, WFP achieves efficiency through partnerships with, and hand-over to, host governments and NGOs, as well through new transfer modalities.

⇒ *Partnerships and hand-overs*

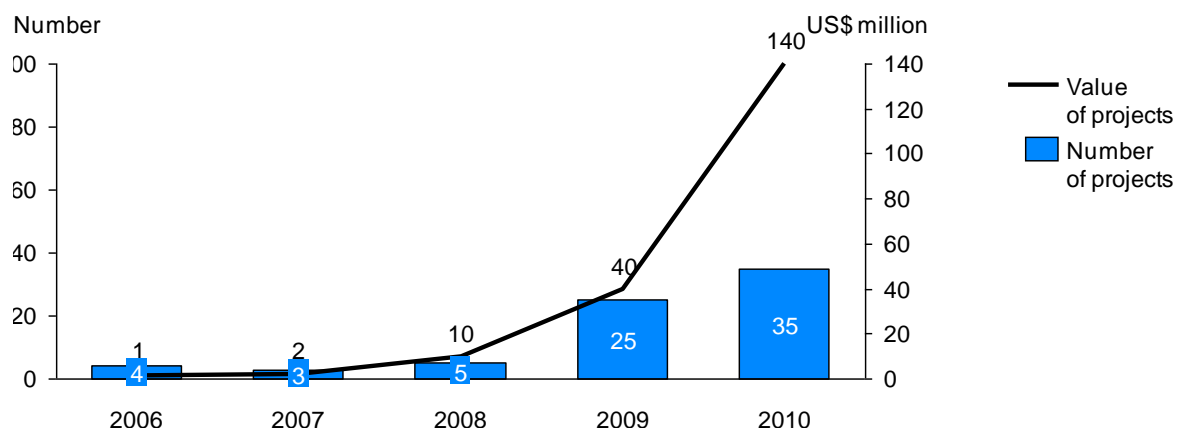
43. For all its projects, WFP seeks in-country partners to provide support at the lowest cost possible. Working with national and local government authorities is the preferred option because their engagement helps secure the long-term sustainability of the project and allows WFP to leverage existing programmes and distribution networks to reduce the overall cost of delivery. If local governments cannot provide support because of conflicting responsibilities or capacity gaps, WFP will enter into partnership agreements with international and local NGOs, with implementation costs usually being shared between WFP and the NGO(s) in question.
44. WFP has been expanding activities to transfer expertise in assessment and vulnerability analysis, beneficiary targeting, disaster preparedness and response, food procurement, and logistics management, to host governments. Through capacity development and hand-over strategies, host governments are increasingly capable of taking over WFP activities and incorporating successful initiatives into their budgets and programmes.

⇒ *New transfer modalities: cash and vouchers*

45. WFP's efforts to scale up cash and voucher (C&V) programmes in its food assistance interventions are expected to contribute significantly to efficiency over time. C&V can be used in circumstances where food is available, markets are functioning and inflation is

under control. WFP has been steadily increasing C&V programmes since 2005, reaching US\$140 million of planned transfers to beneficiaries in 35 projects in 2010, and expects to scale up these modalities in the coming years.

**Figure 7: Expansion in Planned Use of Cash and Vouchers, 2006–2010**



46. Cash and vouchers can create cost and time efficiencies by eliminating the need to purchase, transport and distribute food, and can sometimes be delivered through digital transfer for immediate use in local markets. Depending on market prices, it can cost less to deliver a nutritious food basket via C&V than via traditional in-kind food assistance. For example, WFP's pilot cash transfer programme in Sri Lanka was estimated to have reduced costs by 5 percent owing to lower local food prices and operating costs. The cost efficiency of C&V compared with food delivery will depend on market conditions: C&V may be more efficient in some cases, while food is in others. Comparative efficiency must therefore be evaluated regularly for each project.
47. In 2011, a Cash for Change Service was created within WFP's Programme Division to facilitate the mainstreaming of C&V. The service is developing guidance materials and contributing to the standardization of C&V approaches for greater efficiency.

### Support Services: Human Resources

48. Maintaining a flexible and adaptable workforce and the right staffing level is also essential for efficiency. WFP's operations are dynamic: projects are scaled up or down in accordance with needs, which entails constant workforce adjustments across country offices and flexible contract arrangements. WFP must be able to deploy staff quickly when an emergency response requires additional resources and scale down when a country office hands over to partners and reduces its internal resource requirements. WFP needs to be able to anticipate staffing requirements; it must have the appropriate contractual tools and assignment processes in place, along with systems that ensure continuity and knowledge transfer. A flexible workforce helps WFP make efficient and timely use of its expertise and control its costs.
49. WFP's efficient use of expertise is evidenced by its adaptive staffing levels worldwide. From 2007 to 2011, WFP's shifting requirements led to the creation or elimination of an average of 15–20 percent of total positions a year. In the same period, the proportion of WFP staff on flexible contracts increased. For example, among internationally recruited staff, the share of international professionals decreased from 68 to 61 percent, while that of consultants increased from 17 to 25 percent. This flexibility means that WFP can put resources where they are needed and remove them from where they are not.



50. WFP continues to adopt more efficient approaches to workforce planning. For example, with the implementation of the WFP Information Network and Global System II (WINGS II), data for all WFP staff are now stored in a single system that guarantees greater accuracy and accessibility and facilitates organizational and workforce analyses. The Human Resources (HR) Division and the Office of the Director of Emergencies (ODE) are working together under the aegis of the PREP initiative to create a roster of deployable emergency staff to facilitate the rapid mobilization of human resources in emergencies.
51. To increase managers' capacity to fulfil workforce requirements, the HR Division has created a structure and staffing review toolkit, which includes a comprehensive roadmap to guide country directors and WFP divisions as they align their staffing structures and positions with their offices' strategies and goals and with the available resources.
52. To maximize the benefits of the new food assistance tools – C&V, Purchase for Progress (P4P), etc. – WFP is identifying gaps where staff skills are inadequate to new organizational requirements. The HR Division is conducting an audit of the strategic skills and capacities of the current and anticipated workforce.
53. WFP is also seeking to upgrade staff skills through training programmes. Since 2010, almost all WFP staff have had access to the Learning Management System (LMS), a web-based e-learning tool for the delivery of training materials. In the first 18 months of operation, 3,700 staff members completed more than 6,600 e-learning and 1,400 physical courses. The introduction of LMS and the wealth of virtual training materials available make WFP a leader in virtual training within the United Nations system. Through the LMS, WFP is able to deliver comprehensive training programmes to large numbers of staff, while reducing coordination and travel costs.

### **Support Services: Information Technology**

54. WFP constantly evaluates new technologies and strategically invests in those that can help raise the efficiency of its operations. The WFP Connect initiative and WINGS II are two recent and important examples.

⇒ *WFP Connect: unified communications and collaboration*

55. Introduced in 2010, WFP Connect is a unified interface system that links collaborative desktop applications such as e-mail, instant messaging and web conferencing with communication technologies such as telephony, audio conferencing, and voice and video messaging. WFP Connect has led to faster and more efficient work throughout WFP by reducing the operating costs of information technology (IT) systems and enhancing business continuity. Implementation of WFP Connect will save an estimated US\$0.5 million per year in IT maintenance costs.

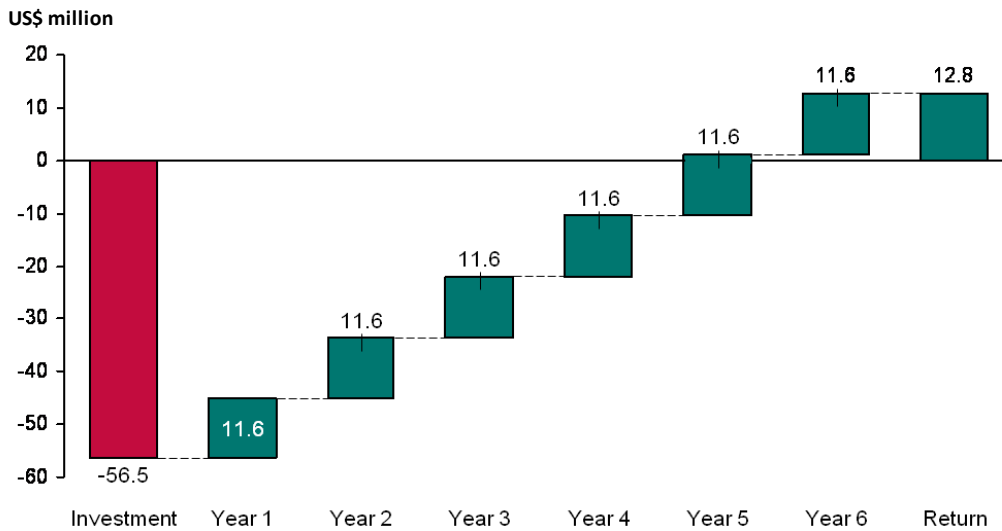
⇒ *WINGS II enterprise resource planning system*

56. As indicated in the June 2011 Board paper, “WINGS II Value Assessment”, WFP is realizing significant benefits from implementation of the WINGS II software. In July 2009, WINGS II – with an integrated set of business processes compliant with International Public Sector Accounting Standards (IPSAS) – went live simultaneously in 159 offices in 91 countries. By creating a single entry point and source for data throughout the organization, WINGS II created immediate benefits including effectiveness improvements, which have the potential to generate cost savings or cost avoidance, and productivity improvements, which allow business units to deliver higher-value activities with the same workforce. For example, the time taken to prepare financial statements has been cut by

75 percent, food stock accounting discrepancies have declined by 30 percent, and the accuracy of contribution forecasts compared with actual contributions has increased by 25 percent.

57. The estimated benefits of WINGS II outweigh its implementation costs over the six-year amortization period. At a total project cost of US\$56.5 million, WINGS II has generated an estimated recurring annual cost saving of US\$11.55 million across WFP.<sup>6</sup>

**Figure 8: WINGS II Annual Benefits Outweigh Initial WINGS II Investment**



### Support Services: Finance and Treasury

58. WFP has introduced several reforms and innovations to its finance and treasury functions to maximize efficiency. Through methods such as cash pooling and competitive currency conversions, WFP can do more with the donor resources entrusted to it.

#### ⇒ Cash pooling

59. WFP holds cash balances for larger country offices and regional bureaux in pooled, centralized bank accounts called zero balance accounts (ZBAs). Through these, country offices are able to draw funds online daily, based on forecasts of their expenditure. At present, approximately 85 percent of cash transfers to field offices are channelled through ZBAs, with plans to increase the coverage to 90 percent by the end of 2012.<sup>7</sup>
60. The cash pooling structure allows offices to function with significantly smaller cash balances, which greatly reduces country, counterparty and currency exchange risks. Without access to a ZBA, a field office would usually hold cash to cover two to three weeks' worth of outlays. With a ZBA, an office typically needs to hold only one week's worth. ZBAs have allowed WFP to reduce cash balances in the field by approximately US\$40 million and to invest this cash in centralized, interest-bearing money market accounts. The returns earned through the cash pooling structure have averaged an estimated US\$1.0 million per year over the past five years.

<sup>6</sup> WFP/EB.A/2011/6-F/1: "WINGS II Value Assessment".

<sup>7</sup> The remaining 10 percent of transfers are to small field offices where transfer volumes are not large enough to justify use of a ZBA.

⇒ *Competitive currency conversions*

61. WFP converts significant amounts of hard currency into local currencies to pay local vendors: US\$1.1 billion was exchanged in 2010. In addition to supporting WFP's work, these financial flows also inject much-needed hard currency into local financial systems.
62. Since 2007, WFP has made efforts to ensure that it receives the best possible rates on currency conversions through competitive bidding, focusing on operations involving large disbursements of local currency. This has led to improvements of 0.1–0.5 percent or more in currency conversion rates, depending on the currency pairs and countries involved. Overall savings realized by competitive currency conversions for field offices are estimated at US\$2.5 million per year, with annual savings in one of WFP's largest operations estimated at US\$0.9 million.
63. WFP continues to enhance currency conversion processes to get maximum value when converting donor contributions into local currency. In 2011, WFP is establishing an on-line foreign exchange trading platform and centralizing currency conversions at Headquarters, where feasible.

## **BUILDING STRONG SYSTEMS THAT PROMOTE EFFICIENCY**

64. The earlier sections of the paper have demonstrated how WFP builds efficiency into its core business processes and seeks to innovate across the whole range of its business activities. These examples are necessarily illustrative.
65. This section of the report presents the Secretariat's views on those systemic issues that must be addressed if United Nations organizations such as WFP are to continue to realize efficiency savings in future.
66. In the Secretariat's view three key pillars are needed to support the drive for efficiency across the United Nations:
  - strong financial reporting: a common basis for the complete and accurate reporting on the income, expenditure, assets and liabilities of the organization – the full implementation of IPSAS accounting standards;
  - comprehensive resource planning: an enterprise resource planning system that reaches across every aspect of the business process; and
  - effective decision-making structures: strong decision-making processes, which provide both the incentives to seek out efficiencies and the accountability for ensuring that these are achieved.

### **Solid Financial Reporting**

⇒ *IPSAS*

67. As the first United Nations organization to implement IPSAS, WFP now has three years of comparative data on its use of funds, assets and liabilities. This has ushered in a new era of standardization in financial accounting and reporting across the United Nations, as many other organizations begin the transition to IPSAS.
68. Quarterly financial statements are produced for internal use and for consideration by the Executive Management Council. While more work is needed to refine and improve analysis of the financial data now available, the Secretariat is confident that WFP has the means to do this. Further discussion of the IPSAS dividend can be found in the

Executive Board paper, “Report of the External Auditor on the IPSAS Dividend: Strengthening Financial Management”.<sup>8</sup>

## Comprehensive Resource Planning

⇒ *WINGS II*

69. The parallel projects to introduce IPSAS and design and implement WINGS II have resulted in enormous increases in data availability and usability. In addition to direct efficiency improvements, WINGS II has also had an indirect impact on WFP efficiency. As noted by WFP’s External Auditors, IPSAS and WINGS II “have enabled WFP to access more accurate financial information to facilitate improved management of the business.”<sup>8</sup> As the central source of accurate and reliable data, WINGS II has contributed to enhanced performance reporting.
70. WINGS II has significantly broadened the scope of resource planning in WFP, as documented in the WFP External Auditors’ report on the IPSAS dividend. For example, WINGS II allows WFP to gain faster access to procurement and logistics data, offers a more accurate view of contribution forecasts, and serves as a single source for staff data. Even so, further enhancements are needed to improve Management’s ability to oversee WFP operations. These include the following:
- The Logistics Execution Support System (LESS), which will replace the stand-alone Commodity Movement Processing and Analysis System (COMPAS) with a SAP-based logistics data system that is fully compatible and integrated with WINGS II. This will provide a more streamlined data infrastructure, along with improved inventory management, allowing better planning, reporting and performance management.
  - The Supply Chain Tracking and Reporting Improvement project consists of initiatives to increase the visibility of commodity movements and storage across the WFP supply chain. The project uses existing WFP data systems with additional information on the movement of shipping vessels and shipments. The primary reporting tool is a supply chain map, providing an interactive, real-time display of the movement of commodities through the WFP supply chain. Managers will be able to view, in real time, what stocks and shipments are located where.
  - The Treasury Management System offers enhanced functionality through SAP. It is integrated with banking systems, which will enhance control procedures and efficiency in treasury management, and should generate annual benefits of US\$2.0 million in higher returns and lower banking charges. Significantly, the e-Banking and Treasury Management system will be aligned to C&V protocols as part of the effort to mainstream C&V.

## Effective Decision-Making Structures

71. Strong information systems alone will not generate efficiencies. The information available needs to be integrated within a clear structure of performance management supported by robust decision-making processes.

<sup>8</sup> “Report of the External Auditor on the IPSAS Dividend: Strengthening Financial Management” (WFP/EB.1/2010/6-E/1).

⇒ *Performance management*

72. Introduced in 2010, the Wheel for Performance depicts WFP's performance management framework, and integrates WFP's vision, mission and values, the Strategic Results Framework (SRF) and the Management Results Framework (MRF). The performance management framework focuses more attention on risk management and controls and defines the five phases of the performance management process – plan, implement, measure and monitor, review and report, learn and adapt. It also provides a roadmap for the continuous improvement of performance in WFP, at the individual office and corporate levels, and contributes to enhanced results-based reporting and informed decision-making throughout the organization.

⇒ *Executive Management Council*

73. In the process of planning, executing, adjusting or mainstreaming changes in the organization, key decisions need to be taken by WFP managers. To support the senior management decision-making process, WFP created an Executive Management Council (EMC) in 2011. The EMC is composed of the most senior WFP managers, and meets on a monthly basis to discuss and take decisions on key topics of WFP business. Recent topics addressed include quarterly financial statements, corporate risks and risk mitigation, and forward planning and purchasing of commodities. The EMC allows WFP senior management to take well-informed and considered decisions, underpinned by a shared fact base.

## **Efficiency Initiatives Going Forward**

74. WFP has been installing the key pillars to support the drive for efficiency and is moving to a more systematic approach to implementing and measuring initiatives.

75. The Climate-Neutral WFP initiative demonstrates how a long-term programme of measurement, informed analysis and structured decision-making can lead to strategic efficiency improvements. Under the initiative, WFP began to track its greenhouse gas (GHG) footprint by establishing a baseline in 2008 for comparisons with subsequent annual updates. Based on a shared understanding of WFP's GHG footprint and its main contributing factors, a new performance indicator was added in 2010 to monitor year-on-year changes in emissions.

76. In 2011, WFP developed a strategic plan for GHG reduction, with a target of 7-10 percent fewer emissions by 2013 compared with the 2008 baseline. The strategy aims to ensure a consistent and mainstreamed approach that emphasizes practical recommendations with considerable potential to reduce emissions. It prioritizes actions in the ten largest country operations, which together account for 69 percent of WFP's global emissions.

77. Emission reduction initiatives will be partially funded through an internal carbon tax on all WFP vehicles self-insured by WFP. This Energy Efficiency Fund is expected to raise US\$300,000 per year and will be matched by the country offices implementing the initiatives.

78. The Climate-Neutral WFP initiative is seen as a prime example of how long-term efficiency improvement initiatives should be implemented: spend time on setting a clear baseline; select targets; design initiatives to achieve the targets; and prioritize the initiatives to achieve maximum impact where it is most needed.

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## CONCLUSIONS

79. Efficiency has always been at the centre of WFP's operations. From the design of its core processes, to experimentation with new ways of doing things, WFP prioritizes efficiency of time and cost to ensure that it is delivering food to beneficiaries as quickly and at the lowest cost as possible. Recognizing that efficiency improvement is a continual process, the organization has been taking steps to strengthen its approach to efficiency.
80. As initiatives like the Climate Neutral WFP example illustrate, WFP is implementing a framework of establishing a common understanding of the baseline situation, setting a measurable target for the future, designing initiatives aimed at achieving that target, and then deciding which initiatives to pursue based on expected cost and impact. WFP will continue to report to donors on its progress with efficiency improvements via the Annual Performance Report.
81. WFP also contributes to enhancing efficiencies across the United Nations system through inter-agency mechanisms such as the High-Level Committee on Management (HLCM). As the current chair of the HLCM, WFP has participated in inter-agency best practice sharing and discussions on United Nations efficiency.
82. The Secretariat is convinced that efficiency in WFP and throughout the United Nations must be tackled strategically. By building stronger internal systems to measure and report on the cost and use of resources, and supporting these with robust decision-making structures, WFP will remain at the forefront in delivering cost-efficient humanitarian assistance and will continue to contribute to greater efficiency throughout the United Nations system.

**ANNEX****SELECTED WFP INITIATIVES RELATED TO EFFICIENCY**

<b>Leading unit</b>	<b>Initiative title</b>	<b>Initiative description</b>
Government Donor Relations Division (ERD)	Twinning	Use of cash from one donor to pay shipping and distribution costs for in-kind donation from another. Makes it possible to receive in-kind contributions from countries that might otherwise not donate.
Multilateral and NGO Relations Division (ERM)	NGO/government operational partnerships	Engagement of NGOs and governments as implementing partners, to reduce operational cost and risk.
HR	Flexible workforce	Adjustment of WFP workforce positions and locations to ensure the right skill set is available where needed.
HR	HR Operational Services (HROS) process review	Review of existing processes to identify areas for optimization.
HR	Learning Management System (LMS) design and roll-out	E-learning system to provide global, instant access to virtual training materials
HR	Tightened hiring policies	Approval authority for international professional hiring decisions moved to higher levels of management; consultant contracts limited to a maximum of six months.
Operations Department (OD) – Dubai	Global Vehicle Leasing Programme (GVLP) design and roll-out	Centralized, bulk purchasing of light vehicles with internal leasing to country offices.
ODE	Preparedness and Response Enhancement Programme (PREP)	Corporate initiatives over three years to enhance the organization's preparedness and response capacity.
Information Technology Division (ODI)	COMET system design and roll-out	WFP-wide system for monitoring data on country operations.
ODI	Emergency Preparedness Integration Centre (EPIC) design and roll-out	Integration of operational information from a variety of sources and different agencies into a single tool to support humanitarian preparedness and response.
ODI	Food Link design and roll-out	Increasing the bandwidth of WFP's IT networks.
ODI	Offshoring of IT services	Outsourcing of non-essential IT services to lower-cost providers.
ODI	One Truth data source design and roll-out	Data standardization and centralization.
ODI	WFP Connect design and roll-out	Modernization of WFP's global desktop and mobile communications capability.
ODI	WINGS II design and roll-out	Introduction of SAP enterprise resource software to increase data transparency and accuracy.
Logistics Division (ODL)	Aviation improvements	Improvements in tracking of aviation movements and aircraft fuel efficiency.
ODL	In-house shipping services	Arrangement of shipping and offloading through competitive tendering to reduce costs.
ODL	Logistics Execution Support System (LESS) design and roll-out	Replacement of previous stand-alone COMPAS with SAP-based logistics data system that is fully compatible and integrated with WINGS II.
ODL	Post-delivery loss mitigation and recovery	Efforts to minimize losses through improved storage and shipping, and to reduce the financial impact of losses by recovering costs.

Leading unit	Initiative title	Initiative description
ODL	Standby partners	Partners maintain roster of rapidly deployable staff, services and equipment to support WFP.
ODL	Supply Chain key performance indicator project (KPI)	Introduction of key performance indicators throughout logistics supply chain to allow uniform performance measurement, trend analysis and decision-making support.
ODL	Supply Chain tracking and reporting improvements	Initiatives to increase the visibility of commodity movement and storage across the WFP supply chain.
Management Services Division (ODM)	Climate-Neutral WFP strategy implementation	Development of a comprehensive strategy to reduce emissions over several years.
Division Procurement Division (ODP)	Common Procurement Team pilot	Joint tendering by FAO, IFAD and WFP of commonly procured goods, works and services for Headquarters.
ODP	Goods and service procurement optimization	Increased use of long-term agreements, micro-purchase orders and vendor performance reviews to reduce costs.
ODP	Import parity procurement process	Formalized process for selecting the least expensive food procurement option from local, regional or international suppliers.
Programme Division (ODX)	Cash for Change initiative	Enhancing analytical capability, establishing systems and ensuring controlled and accountable processes across WFP's programme of work, to scale up cash or voucher distribution.
RM	Executive Management Council creation	Committee of senior WFP managers meeting monthly to discuss and decide on major business issues.
Budget and Programme Division (RMB)	Advance finance scale-up	Use of forecasts of contributions and demand to accelerate project funding and allow advance bulk purchases.
RMB	Forward positioning design and roll-out	Pre-positioning of food stocks for more rapid and dependable delivery.
Finance and Treasury Division (RMF)	Cash pooling	Centralized ZBAs to hold cash balances for country offices and regional bureaux.
RMF	Competitive currency conversions	Competitive bidding for currency conversions for WFP corporate and country office use.
RMF	E-banking and treasury management system design and roll-out	Increased streamlining and automation of financial processes in field offices, and an enhanced treasury management system for in-house management of working capital.
Performance and Accountability Management Division (RMF)	IPSAS implementation	Use of standardized accounting resulting in year-on-year data consistency and clarity.
RMP	WFP Wheel for Performance	Comprehensive framework for performance management in WFP.
UNHRD	United Nations Humanitarian Response Depots	System of forward-positioned equipment, supplies and ready-to-use supplementary food for humanitarian interventions.



## ACRONYMS USED IN THIS DOCUMENT

C&V	cash and voucher
COMPAS	Commodity Movement Processing and Analysis System
CSB	corn-soya blend
DEV	development project
EMOP	emergency operation
EMC	Executive Management Council
FAO	Food and Agriculture Organization of the United Nations
FPF	Forward Purchase Facility
GHG	greenhouse gas
GVLP	Global Vehicle Leasing Programme
HEB	high-energy biscuits
HLCM	High-Level Committee on Management
HR	human resources
IFAD	International Fund for Agricultural Development
IPSAS	International Public Sector Accounting Standards
IRA	Immediate Response Account
IT	information technology
LESS	Logistics Execution Support System
LMS	Learning Management System
MRF	Management Results Framework
NGO	non-governmental organization
OD	Operations Department
ODE	Office of the Director of Emergencies
ODI	Information Technology Division
ODL	Logistics Division
ODP	Procurement Division
OECD	Organisation for Economic Co-operation and Development
P4P	Purchase for Progress
PREP	Preparedness and Response Enhancement Programme
PRRO	protracted relief and recovery operation
RM	Resource Management and Accountability Department
RMB	Budget and Programming Division
RMF	Finance and Treasury Division
SRF	Strategic Results Framework

UNHAS	United Nations Humanitarian Air Service
UNHRD	United Nations Humanitarian Response Depot
WCF	Working Capital Financing
WINGS II	WFP Information Network and Global System II
ZBA	zero balance account