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de Alimentos

**Executive Board  
Second Regular Session**

**Rome, 7–11 November 2005**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 5**

*For information\**

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## **REPORT ON THE BUSINESS PROCESS REVIEW**



\* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

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## NOTE TO THE EXECUTIVE BOARD

**This document is submitted for information to the Executive Board.**

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.

Chief of Staff and Director, OED: Mr M. Stayton tel.: 066513-2002

Director, ODM: Mr T. Due tel.: 066513-2008

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Meeting Servicing and Distribution Unit. (tel.: 066513-2645).



## EXECUTIVE SUMMARY

In March 2003, WFP launched a business process review designed to maximize the utilization of project resources and improve the on-time availability of food to beneficiaries. The recommendations were implemented in a series of five pilot projects over the course of 2004.

Following the Executive Board's continued support to financial policy changes and expansion of the working-capital financing in February 2005, WFP has implemented the new business model in four additional country operations. Since June 2005, in anticipation of organization-wide implementation, WFP has institutionalized the new business model in the Operations Department and analysed the results to date in order to finalize the roll-out strategy for the coming year.

To date, WFP has approved US\$140.4 million of working-capital financing, 73 percent of which has been repaid. Projects have also used single project account flexibility to maximize internal resources. These two facilities have helped stabilize project funding needs, enabled WFP to feed more people on time and increased the value of donor contributions to beneficiaries.

## DRAFT DECISION\*

The Board takes note of the information contained in "Report on the Business Process Review" (WFP/EB.2/2005/5-I/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.



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## INTRODUCTION

1. In February 2005, the Board endorsed the Secretariat's plan to continue implementing the recommendations of the business process review (BPR), and approved two financial policy changes: authorization to finance operations on the basis of forecast contributions; and approval of expenditures during project preparation so that the food pipeline can be filled in advance of the project start date. The Board also authorized the roll-out of working-capital financing (WCF) to a maximum of seven additional operations.
2. The purposes of this report are to update the Board on the progress of the BPR during the latter half of 2005 in response to the Board's request for regular reporting (see WFP/EB.1/2005/13) and to outline the strategy for corporate implementation.

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## LESSONS LEARNED

3. The new business model is currently running in two emergency operations (EMOPs) in Darfur and southern Sudan, nine protracted relief and recovery operations (PRROs) in the Democratic Republic of Congo, Indonesia, the Occupied Palestinian Territory, Uganda, Ethiopia and the regions of West Africa Coastal and Southern Africa, and two development programmes (DEVs) in China and Ethiopia.
4. In an effort to refine the strategy for corporate training, roll-out and support, WFP has conducted a formal feedback project and hosted two intensive workshops with representatives from the initial pilot operations, the current operations under the new business model, regional bureau staff and Headquarters staff. These initiatives helped define the needs to: (i) leverage regional capacity for analysis, roll-out and ongoing support to country offices; (ii) streamline the tool for capturing operational information and producing management information for country and regional projects; (iii) tailor the training methodology for technical expertise; (iv) harmonize reporting requirements; (v) refine current forecasting techniques; and (vi) define value to beneficiaries as a means of maximizing the results that can be achieved through the WCF lending portfolio.

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## IMPLEMENTATION TIME FRAME

5. In order to incorporate the lessons learned, WFP has not scheduled further roll-outs for the remainder of 2005. Instead, it is expected that training will be developed, information systems will be finalized and the competencies of regional bureaux staff to support the new business model mechanisms will be upgraded. The Programme Management Division (ODM) team continues to support the current operations under the new business model, and country office roll-out will recommence in early 2006.
6. ODM has been a key player in harmonizing all corporate change management initiatives related to improving the project management cycle such as the Best Practices Project, the Common Monitoring and Evaluation Approach and the Supply Chain Review. It is expected that broader integration will maximize the benefits of all initiatives.



## UPDATE ON WORKING-CAPITAL FINANCING

### WORKING CAPITAL FINANCING AS OF 23 SEPTEMBER 2005 (US\$)

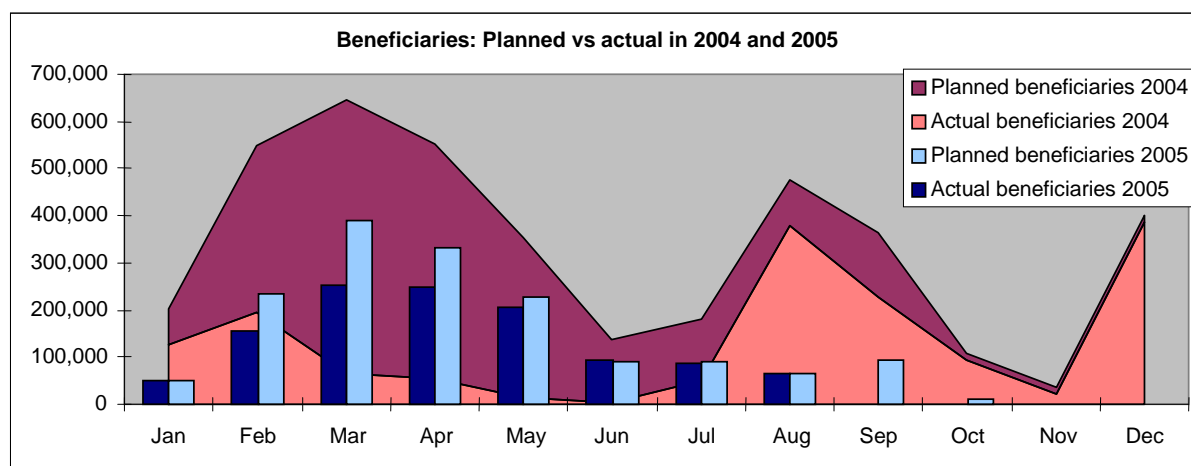
Project	Dates of loans	Loan	Repaid	Outstanding
DRC PRRO 10288.0 (Loan 1)	June 2004	4 100 000	4 100 000	0
OPT EMOP 10190.2	July 2004	9 600 000	9 600 000	0
INS PRRO 10069.1	October 2004	4 800 000	4 800 000	0
CHA CP 10050.0 ACT 1	December 2004	4 100 000	4 100 000	0
WAC PRRO 10064.3	October and December 2004	10 300 000	4 500 000	5 800 000
DRC PRRO 10288.0 (Loan 2)	January 2005	15 800 000	7 000 000	8 800 000
SDN EMOP 10048.3	April 2005	34 700 000	18 700 000	16 000 000
OPT PRRO 10387.0	June 2005	13 200 000	13 200 000	0
UGA PRRO 10121.1	July 2005	9 300 000	9 300 000	0
ODJ PRRO 10310.0	July and August 2005	34 500 000	26 600 000	7 900 000
<b>TOTAL</b>		<b>140 400 000</b>	<b>101 900 000</b>	<b>38 500 000</b>

7. WFP continues its conservative management of the risk associated with WCF and ensures maximum value to beneficiaries.
8. To date, WFP has approved US\$140.4 million of WCF loans, US\$101.9 million, or 73 percent, of which has been repaid with no losses incurred. Since the last Board session, WFP has approved US\$57 million to three operations – the Occupied Palestinian Territory, Uganda and the Southern Africa region. Of this, US\$49.1 million, or 86 percent, has been repaid. The improved repayment record for recent loans is a result of increased flexibility from WFP's donor community.

### VALUE TO BENEFICIARIES – UGANDA, SOUTHERN AFRICA REGIONAL OPERATION, CHINA, OCCUPIED PALESTINIAN TERRITORY

9. The WCF management group is refining its lending portfolio by measuring the value to beneficiaries achieved through the provision of WCF loans.
10. The country office in Uganda was able to purchase more than 43,000 mt of commodities locally from the July 2005 harvest when prices were at their lowest. By utilizing just 7 percent of total lending to date, the country office also saved US\$2.4 million in transport costs.
11. The Southern African Regional Bureau (ODJ) achieved 18 percent savings on cereal purchases alone.
12. WCF enabled the country office in China to meet its planned beneficiary target numbers and achieve greater cost-effectiveness. As illustrated in the figure below, beneficiary needs are greatest in the peak periods preceding the harvest. A WCF loan in December 2004 enabled the country office to address these seasonal fluctuations considerably better in 2005 than in 2004.





13. A WCF loan enabled the Occupied Palestinian Territory project to pre-fill its pipeline and meet the food needs of an estimated 480,000 beneficiaries from the start of the operation through February 2006. Without this, implementation of at least 50 percent of the programme would have been several months late.
14. By allowing the country office to incur expenditures against forecasted rather than confirmed contributions, the WCF facility has allowed WFP to improve the on-time availability of food aid and increase the value of donor contributions to beneficiaries.
15. Based on the positive results that WFP continues to achieve for beneficiaries from using the operational planning tools and the WCF facility, the ODM team will roll-out the new business model based on the capabilities of country offices and regional bureaux and in consultation with the Board.



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## ACRONYMS USED IN THE DOCUMENT

BPR	business process review
DEV	development programme
EMOP	emergency operation
ODJ	Southern Africa Regional Bureau
ODM	Programme Management Division
OED	Office of the Executive Director
PRRO	Protracted relief and recovery operations
WCF	working-capital financing

