

Update on Cost Excellence Initiative

2nd Informal Consultation

2 September 2015



World Food Programme

Cost Excellence initiative was launched in July 2014 with two main areas of work

Focus of next slide

Cost Excellence Initiative

Global Support Cost analysis

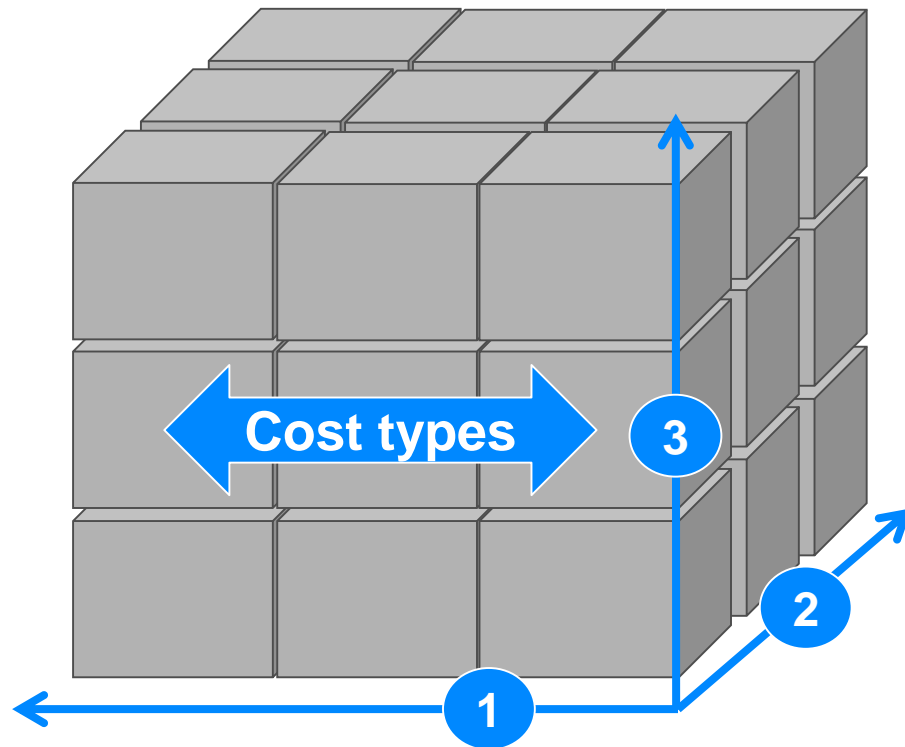
- ✓ Review of support costs at headquarters and field level for efficiencies

Service Centre Feasibility Review

- ✓ A feasibility review that aims to explore options for a global WFP Service Centre concept

WFP's Global Support costs have been assessed across 3 dimensions: Funding, Time and Location

Cost "cube" captures all relevant cost types along three dimensions

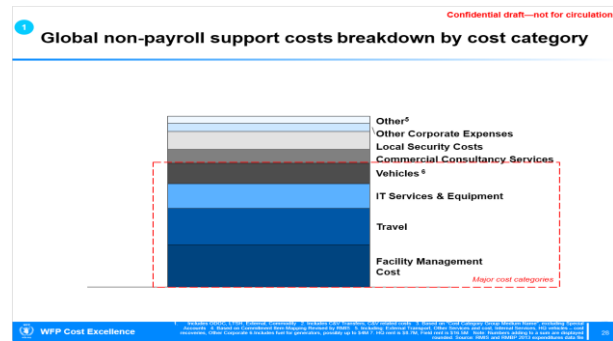


Key Comments

- 1 Funding:** Categorize costs according to source of funding
 - PSA
 - Trust funds
 - Special accounts
- 2 Time:** Categorize costs according to time
 - Financial years 2012-2014 in scope
- 3 Location:** Categorize costs according to location
 - HQ vs Field

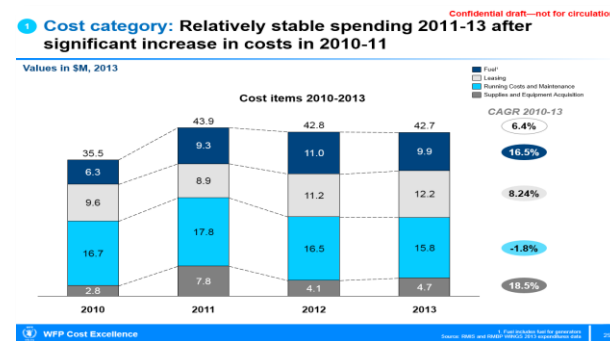
Three steps approach to identify Global Support Cost optimization opportunities

Identify major cost categories



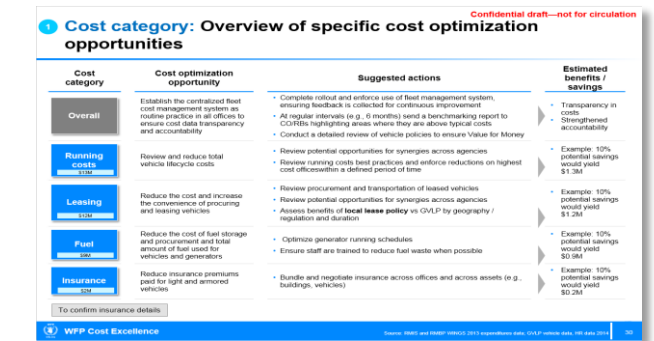
- Determine areas for deep dive based on potential for savings

Conduct deep dive on main cost categories



- What are the major **cost buckets** within each category?
- Which **Divisions/offices** are major drivers of the costs?
- What has been the trend in costs **over time**?

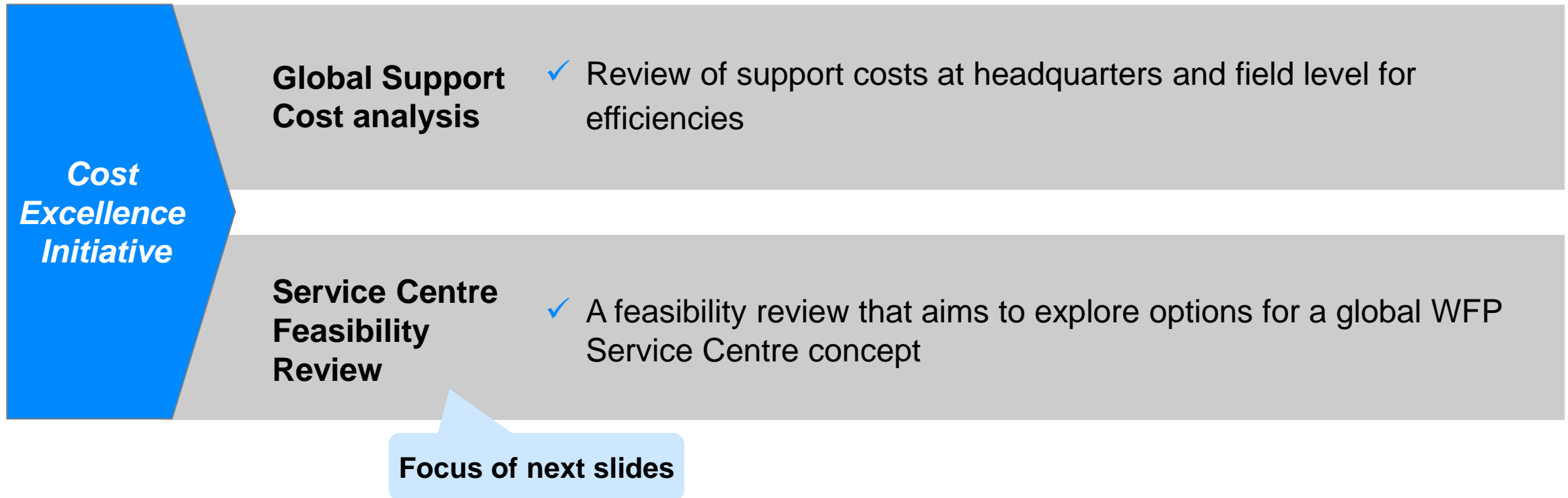
Investigate cost optimization opportunities



- Holistic view in determining cost optimization opportunities to pursue
- Selected opportunities** will be handed over to cost owners for implementation

While the majority of impact is expected on project related costs, WFP expects that PSA savings of approximately \$2.5-3M are likely to be achieved

Cost Excellence initiative was launched in July 2014 with two main areas of work



A global Service Centre could allow WFP to obtain savings, improve service quality and increase mission focus

Main rationale for a Service Centre

Cost savings for budget reduction and/or reinvestment in strategic activities

- Cost reductions could be achieved for **labour costs, overhead, facilities, utilities, system costs** etc.
- Resources are freed up to **provide opportunity for enhanced strategic focus**

Improved service quality and additional efficiencies

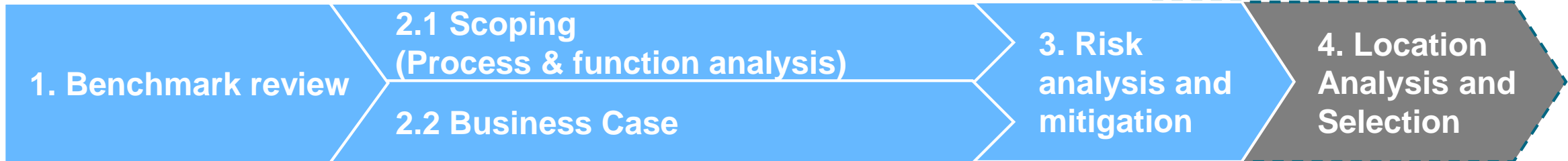
- Through the optimization of processes, **efficiency savings and improved service delivery** will be possible
- Greater service **consistency/standardization** and better use of new technologies

Greater mission focus and facilitated future growth

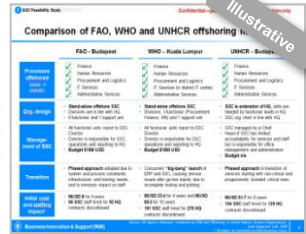
- Enable functional units to **concentrate on core processes and strategic priorities**

With increasing demand for WFP's services, we must find better ways to work in order to sustain the fight against hunger

A four-step approach was taken for Service Centre feasibility review



1. Benchmark review

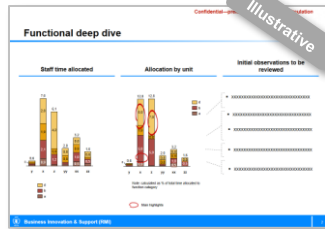


- Investigate UN experiences with service centres
- Review industry best practices

2.1 Scoping (Process & function analysis)

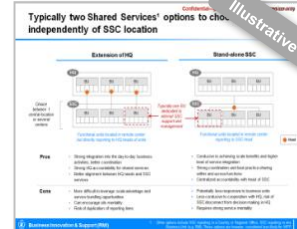
2.2 Business Case

Scoping (Process & function analysis)



- Scoping of service centre structure
- As-is process analysis
- Define services bundling scenarios

Business case



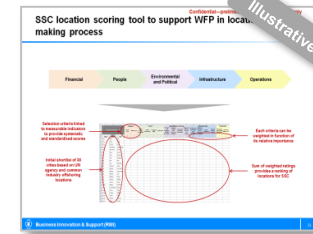
- Feasibility analysis of potential Service Centre costs / benefits

3. Risk analysis and mitigation







- Identify risks and required key mitigation actions

4. Location Analysis and Selection



- Define location selection criteria and methodology
- Review shortlist of potential locations

Several UN organisations have established Services Centres in lower cost locations

				
HQ location	Rome, Italy	Geneva, Switzerland	Geneva, Switzerland	New York, United States
SC locations	Budapest plus Bangkok & Santiago as hubs	Budapest, Hungary	Kuala Lumpur, Malaysia	<i>Go-live in H1 2015 Location Budapest</i>
Functions offshored	<ul style="list-style-type: none"> • Finance • HR • Routine procurement • Support help desk • Travel 	<ul style="list-style-type: none"> • Finance • Global learning centre • HR • IT support • Payroll • Supply management 	<ul style="list-style-type: none"> • HR • Payroll • Procurement • Supplier management • Travel 	<ul style="list-style-type: none"> • Finance • HR • IT • Master data management
Current Size (approx.)	~150	~350	~175	<i>Est 300 - 400</i>

Service Centre feasibility review integrated best practices identified from reviewing UN offshoring experiences

Need to develop a **comprehensive strategy / study** for a Service Centre

Put in place **clear governance** and project management structures

Maintain strong and **consistent communication**

Adopt a **phased approach** to implementation

Put in place **effective transition arrangements**

Develop a **comprehensive business case** and financial model

Involve key stakeholders including staff associations both early and throughout the process

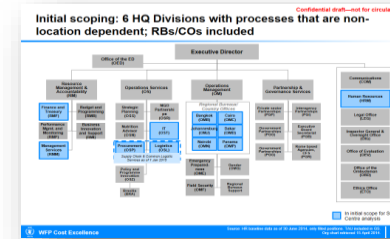
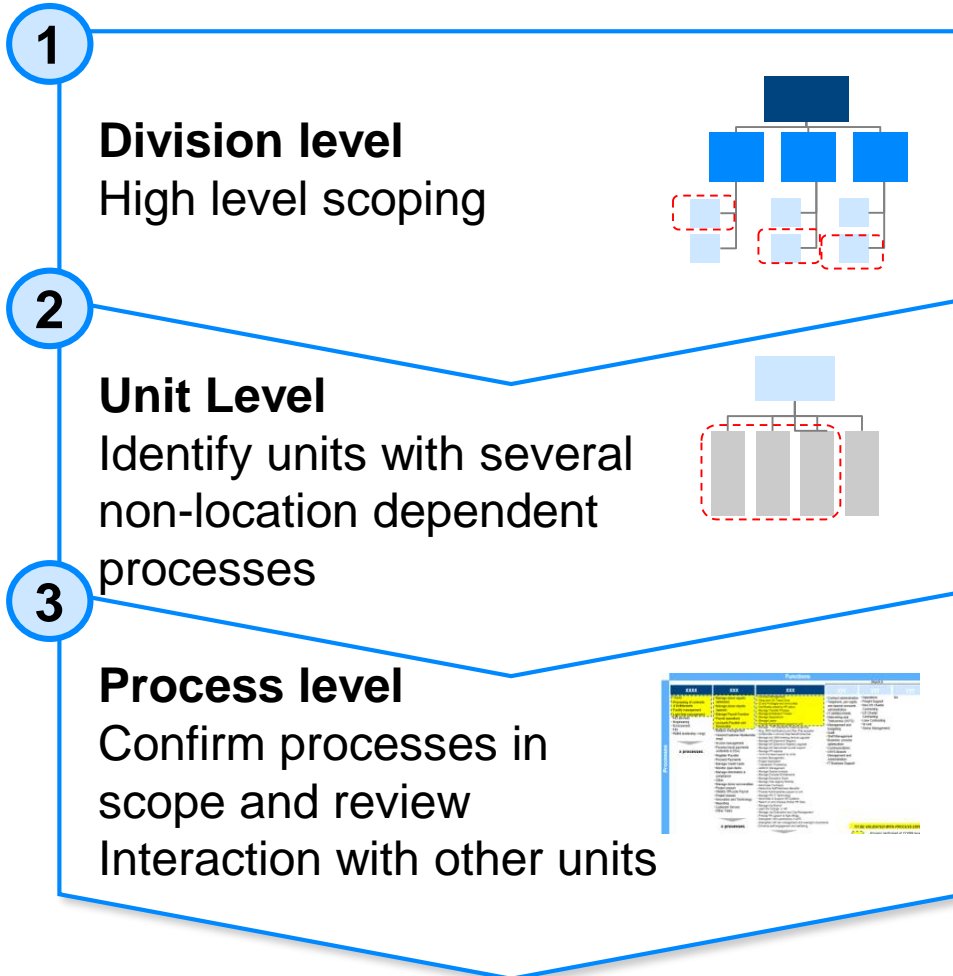
Develop strong **risk management and mitigation actions**

Take into account the **maturity level of Enterprise Resource Planning systems**

Tailor the approach to WFP's cultural and operational reality

Identify and **seize opportunities to generate non-financial benefits**

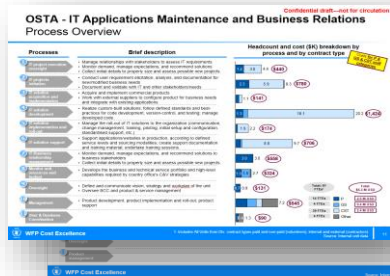
Potential scope narrowed down by analysis at the Division, unit and process levels



- Engagement with **Divisions Directors and AEDs**

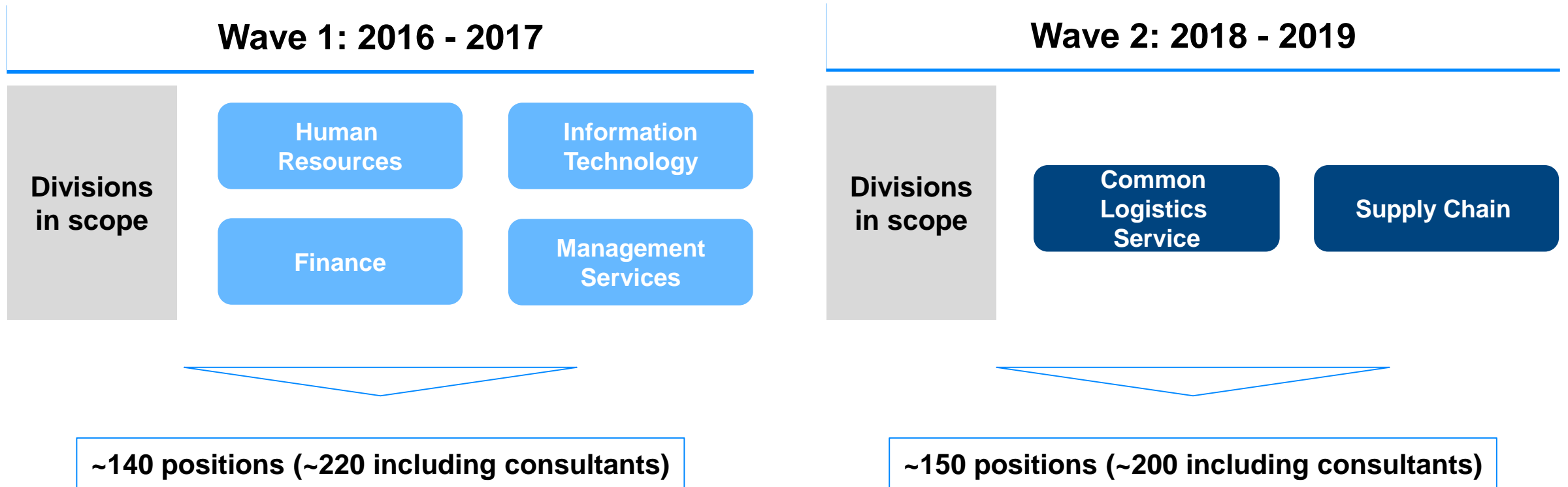


- Engagement with **unit chief**
- Confirm **high level scoping**
- Verify structure and staffing numbers



- Identify processes in potential scope with process experts/**Division Directors**
- Determine number of staff need for each process
- Review **level of interaction of different processes with various other entities** in the organization

6 Divisions across WFP are in scope across four years and includes ~300 positions (~400-450 incl. consultants)

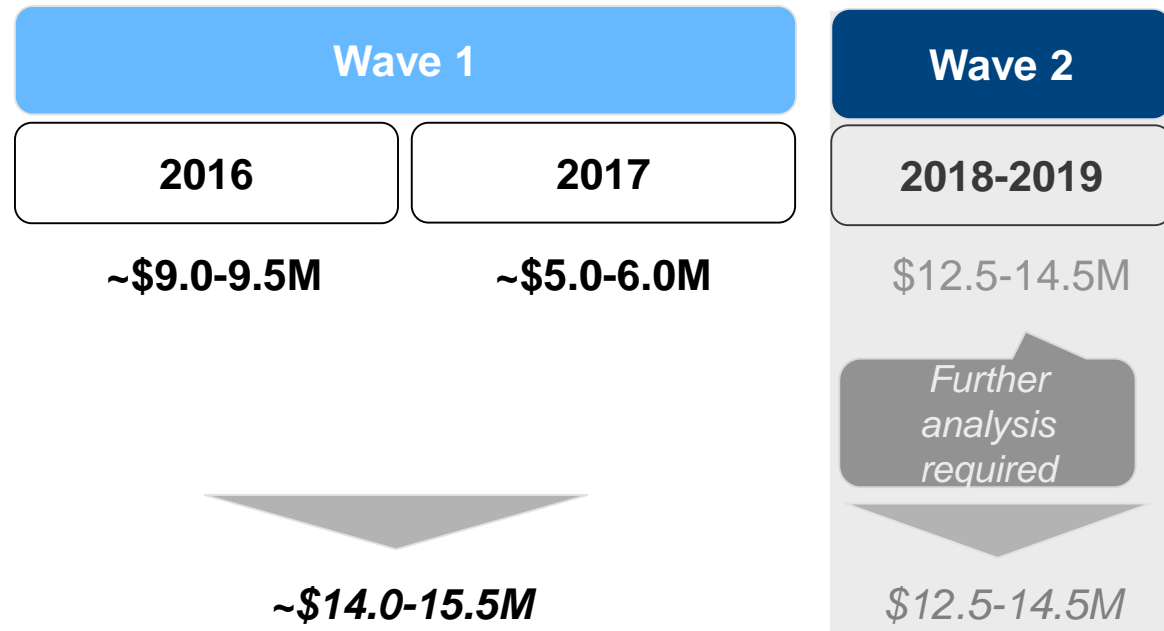


Additional assessment is being conducted to refine number of positions affected

“Wave 1” would require an investment of ~\$14.0-15.5M in 2016-2017 to create a Service Centre with an estimated annual savings of ~\$4.5-5.0M

Preliminary figures to be refined

Upfront investments



➤ **Main cost assumptions** include **staff impact mitigation measures, staff relocation costs** and additional resources due to **added workload** during Service Centre set-up period

Benefits



- Reduced transactional burden on Country Offices would allow for more mission focus
- Consolidating processes globally would improve efficiency
- Cost and time savings could be redirected to more strategic activities/functions

Risk assessment undertaken over 6 areas to identify mitigation measures

Risk area

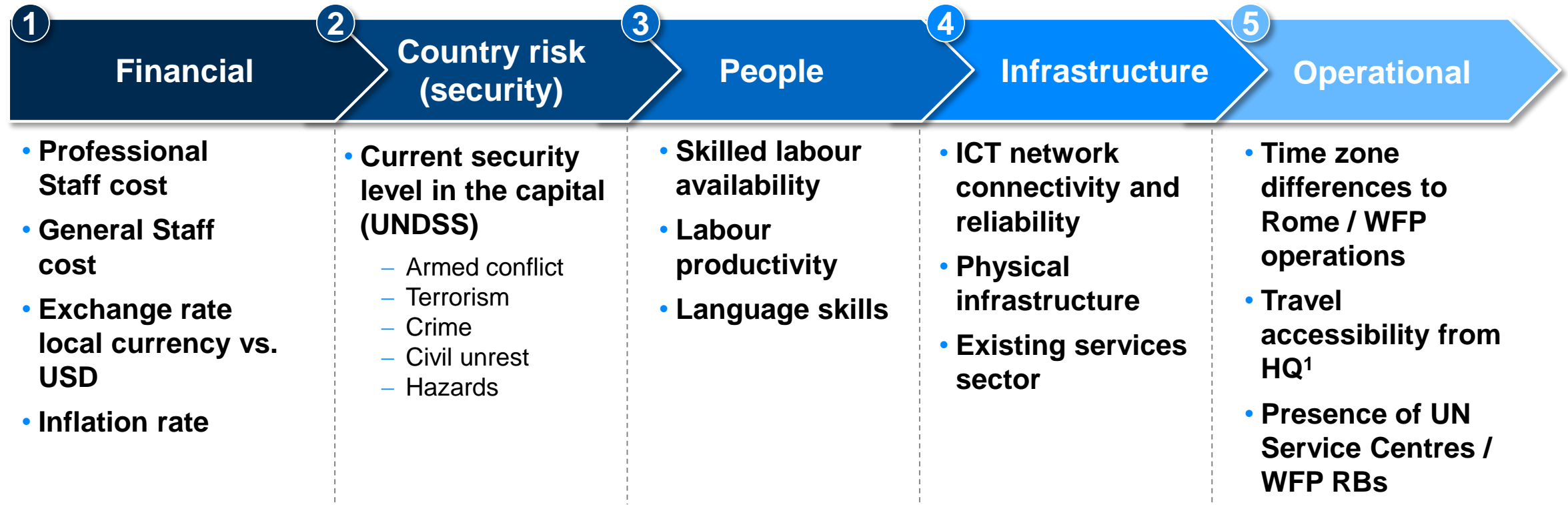
Mitigation measures

1	Staff related risks (e.g. damage to staff morale, ...)	<ul style="list-style-type: none">• Full range of mitigation measures developed with HRM• Open communication with all Staff / Staff representative bodies
2	Service Delivery risks (e.g. workload increase , ...)	<ul style="list-style-type: none">• Additional staff to support Divisions during transition• Work-shadowing / Transfer key professional staff to new location
3	Financial risks (e.g. investment decision, ...)	<ul style="list-style-type: none">• Developed a robust business case to estimate and monitor savings• Track budget allocations in future years to ensure savings
4	Political risks (e.g. lack of consensus on investments)	<ul style="list-style-type: none">• Developed a robust business case to support decisions & escalate risks• Share supporting information on the business drivers for offshoring
5	Change Management risks (e.g. implementation delay, ...)	<ul style="list-style-type: none">• Developed implementation plan with milestones and checkpoints• Project management support to ensure a smooth transition
6	Reputational risk (e.g. reputational damage, ...)	<ul style="list-style-type: none">• Preparation of media briefs

182 countries evaluated against 5 criteria in location analysis

	Description	Numbers of countries
Baseline	All UN Member States included in the location analysis	193 Countries
UN sanction filter	11 countries have been removed from the list due to UN sanctions	182 Countries
Countries Ranking	182 selected countries have been ranked according to 5 criteria: <ol style="list-style-type: none">1. Financial2. Country risk (security)3. People4. Infrastructure5. Operational	182 Countries
Shortlist	Top ranked countries, WFP 6 RBs, and Italy included in the shortlist	

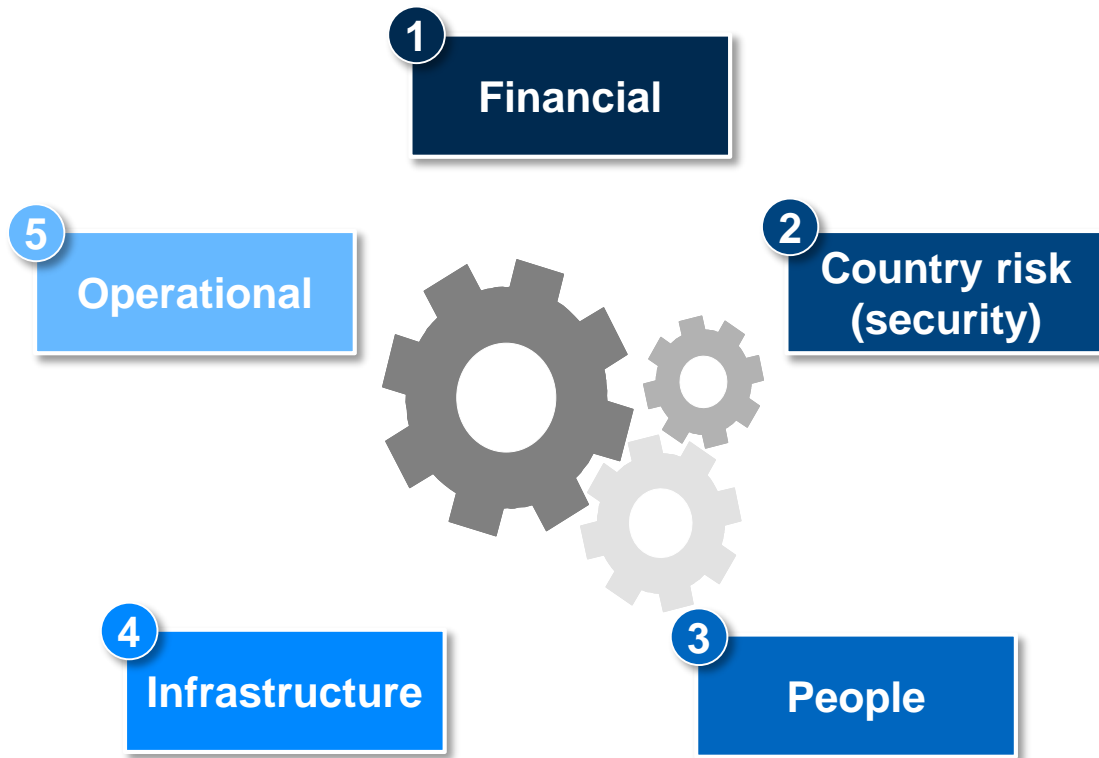
Countries analyzed across five criteria to define a shortlist



Locations hosting WFP Regional Bureaus and Italy (other locations) included in the shortlist – given potential cost synergies

Identified a preliminary shortlist with 15 locations with a combination of scoring on 5 criteria

Combination of scoring on each of the 5 dimensions....



...used to define preliminary Service Centre location shortlist (15 locations listed in alphabetical order)

Bulgaria	Czech Republic	Egypt
Hungary	Italy (Other Locations)	Italy (Rome)
Kenya	Malaysia	Panama
Poland	Portugal	Senegal
Slovakia	South Africa	Thailand

Transparent process for location selection will be followed with UN Member States



All Member States to be informed of the process by a notice published on the Executive Board website. Other expressions of interest will be taken into consideration

A phased approach would be used in Service Centre transition: first wave expected to start in Q3 2016

