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Agenda item 6

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BUSINESS PROCESS REVIEW (BPR): PILOT UPDATE

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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.

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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



INTRODUCTION

1. In March 2003, the Secretariat began a business process review (BPR) designed to improve efficiency in WFP, primarily to ensure maximum use of resources to meet the needs of the greatest number of beneficiaries.
2. To begin applying the new business process model in real situations, the Secretariat is implementing a pilot-project phase based on four general objectives:
 - i) validation of the proposed new business process concepts at the field level;
 - ii) review of the feasibility of implementing the new business processes;
 - iii) capacity-building in personnel, tools and methodology for future implementation; and
 - iv) preparation for implementation throughout WFP of the new business process, starting in 2005.
3. The first of these pilot projects, the protracted relief and recovery operation (PRRO) in the Democratic Republic of Congo (DRC) began in late December 2003.
4. The purpose of this Information Note is to update the Board on progress in BPR since February, and to outline the way forward. This report is necessarily brief, given that the pilot projects began a short time ago and that the last Information Note to the Board was issued in February. The Secretariat will provide a more comprehensive report to the Board before the October 2004 session.
5. Over the last few months, the emphasis has been on the first two objectives – validating the new concepts, and testing the feasibility of global implementation. The Secretariat hopes to report by October on progress in meeting all objectives, including work on capacity-building and plans for global implementation.

BPR PILOT PROJECTS: FOCUS ON THE DRC PRRO

Approach

6. Since the last update to the Board in February, the Secretariat has focused on implementing the pilot project in DRC. The operation has already proved to be an excellent laboratory for BPR because of its complexity, size and numerous constraints such as several logistics corridors and insecurity (see “Pilot Project Calendar”, annex I for more details).
7. The key to this approach is that the field offices are validating and driving the new concepts and processes; Headquarters support is based on this field-tested approach. The Secretariat continues to emphasize local development of the BPR – ensuring that the new concepts, tools and procedures are tailored to the needs of country offices. In the first phase, – May 2004 – the BPR team is testing the new concepts and tools, and training country office staff. The pilots at the field level are also driving the capacity-building initiatives, the “building blocks” mentioned in the last Information Note to the Board.¹ In

¹ “Business Process Review: Pilot Financing Paper” (WFP/EB.1/2004/5-A/1), Annex I: Information Note, paragraph 30.

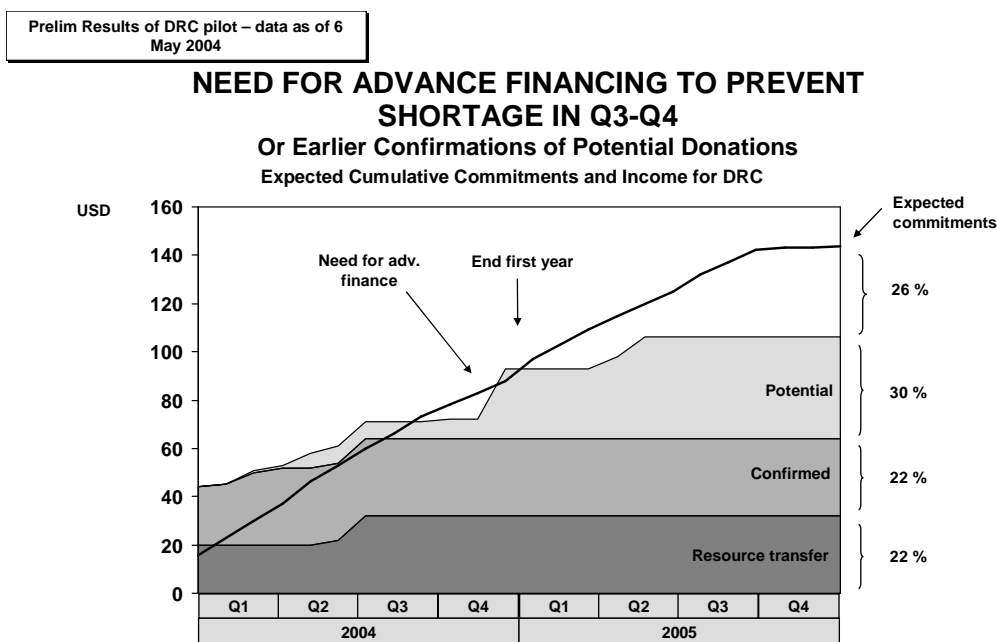


the second phase – June to October – the new business model will be validated in other pilot countries and a global implementation plan will be developed.

8. It is important to note that the Secretariat is testing the new business model in an integrated way and is not artificially attempting to gain “quick wins”. For example, it would be relatively easy to grant an operation advance financing or to move quickly to the new flexibility in a single-pot approach; but these benefits are based on putting important improvements in place – for example in enhanced project planning, which enables scenario building, which then enables the single-pot approach. Only with this foundation would the single pot approach improve efficiency. Similarly, advance financing is considered only after a project has improved in planning, monitoring and execution, and only after donation forecasting has improved. These improvements provide the accountability and rigour that will form the basis of additional flexibility.
9. The Secretariat therefore continues to take a methodological, bottom-up approach to this testing phase, in which we ensure that each pilot project is run entirely according to the new business model from start to finish. This requires more work and more time, but we expect the approach to provide the best results.

Results to Date

10. Overall, business process improvements have already made a significant positive difference to the DRC operation. On-time closure of the previous project phase, the transfer of resources and implementation of the single-pot approach have resulted in more – and more flexible – resources available to the project.
11. These changes have resulted in higher resource availability in the early phase of the project, which means that the BPR team has not yet had the opportunity to test advance financing. Based on the latest information on the requirements and donation forecast for DRC, advance financing will be required as soon as possible to ensure on-time availability of food for distribution in late 2004 (see Figure).



12. There has been good progress in developing donation forecasting, but more work is still needed; the Secretariat must work closely with donors on this. With respect to DRC, for example, WFP now has a detailed donation forecast to the end of 2004; in 2005, however, visibility with regard to new contributions decreases dramatically. Unless forecasting is sufficiently in advance, the most effective use of the advance financing capacity cannot be achieved. As a result, the on-time availability of commodities for distribution will be extremely difficult to achieve without additional information on future contributions.

Enhanced Project Planning, Execution and Monitoring

13. This is really the foundation of the new business model, and the prerequisite for advance financing and implementing the single-pot approach. The BPR team has concentrated its efforts on developing a methodology that enables accurate knowledge of food and cash shortfalls or surpluses. For the first time, a planning method linking the logistics and cash pipeline has been developed. Using WFP's corporate information systems, the DRC country office now knows precisely what is needed in terms of food and cash, and when. As a result, project management and financial management have improved dramatically, allowing resources to be used to their fullest extent.

⇒ *Achievements:*

- previous project closed and resources transferred on time;
- multiple-scenario budgeting methodology developed; first multiple-scenario budget for DRC drawn up;
- monthly planning and review cycle developed;
- single-pot approach to cash components – landside transport, storage and handling (LTSH), direct support costs (DSC) and other direct operational costs (ODOC) – at the country office level introduced, allowing for fullest possible use of available resources; and
- supply chain management tool developed – food aid and cash pipeline linked, (i) allowing comprehensive decision-making process on advance financing and resource allocation, enabling country offices to track requirements and expenditure by corridor on a monthly basis, and (ii) focusing on trends to identify where and when beneficiaries suffer most; will also help donors to make decisions earlier.

Advance Financing

14. As a result of the development and implementation of the methodology for project planning, execution and monitoring described above, precise operational requirements – and precise funding requirements to guarantee on-time food availability – have permitted preparation of the first advance financing request for the DRC PRRO.
15. Country offices need sophisticated expenditure-tracking and improved donation forecasting in order to have a firm basis for providing advance financing. With regard to donation forecasting, the Secretariat has made significant progress in developing a new methodology since the last report to the Executive Board. The new donation forecasting methodology is based on compiling and correlating “hard” and “soft” data for single donors, associated with estimates of the risk that they will or will not contribute to a project. The hard data include historical information mapping a donor's past contribution record and behaviour; the soft data include information on the global picture of a donor's attitude towards international assistance, its fiscal and budget policies, and assessments from WFP's donor relations officers.



16. This methodology will help WFP to calculate more precisely the probability of contribution confirmation to a project and will include details of the potential size and nature of a contribution.

⇒ *Achievements:*

- the design and concept of the new methodology have been fully developed; pilot testing is under way; and
 - the first request for advance financing for DRC is now being prepared.
17. In the coming months, the Secretariat will focus on recalibrating the financing model, taking into consideration business process improvements seen in the pilot phase.
18. To reduce risk, the Secretariat is exploring ways of minimizing the need for financing – for example through pre-positioning of stocks in donor ports or closer to beneficiaries, and enhanced borrowing.

New Resource Allocation

19. In the new business model, the idea is to ensure that operations have the resources they need, when they need them – within the limits of forecast contributions. Resources will be allocated to country offices in a single project account.

⇒ *Achievements:*

- allocation method defined to align timing with requirements; and
- single-pot approach defined in corporate information systems.

Other Pilot Projects

20. As mentioned above, the Secretariat is now completing its initial focus on DRC, after which it will validate testing of the new business model in the other pilot countries. Even though the focus has been on DRC, the Secretariat had launched four out of five pilot projects by mid-May. The timetable is as follows:
- ***Palestinian Territory emergency operation (EMOP)***. The pilot was launched in May; in June, the plan is to develop project planning, execution and monitoring tools, and make the first request for advance financing; the new phase of the EMOP begins in July.
 - ***West Africa Coastal PRRO***. The pilot was launched in May; in June, the plan is to work with the country office team to design a new project phase according to the new business model.
 - ***Indonesia PRRO***. The pilot was launched in May; in June, the plan is to work with the country office team to design a new project phase according to the new business model.
 - ***Cambodia PRRO***. The pilot is due for launch in July, with extensive work with the country office team to design a new project phase according to the new business model.
21. This is the current pilot schedule. It must be stressed, however, that if it becomes clear that focusing on a smaller number of pilots helps us achieve more complete results, the Secretariat may not complete all the originally planned pilots.



LESSONS LEARNED SO FAR

22. Although the pilot validation phase is in its early stages, several important lessons have been learned:
- **The new business model is resulting in better project management.** The new business model may require more upfront work and resources, but it pays off by enabling better project management, not just better financial management.
 - **Timely and transparent project closure and subsequent transfer of resources are critical** for all follow-on projects with the same beneficiaries and objectives. These resources provide the start-up capital for the next phase of the operation. These balances will certainly fall as BPR is implemented, but donor support for this process, including reprogramming, is vital now to ensure that balances fall and that resources are made available for our beneficiaries.
 - **Single-pot approach.** As stated above, the allocation of resources in a single pot as opposed to the piecemeal allocation of contributions by components such as LTSH and DSC will greatly enhance resource utilization.
 - **Improved donation forecasting is essential to the success of advance financing.** The Fund-Raising Department will need to strengthen its relationship with operations in the field and with donors; we need to improve visibility beyond donors' current fiscal years.
 - **WINGS and other corporate information systems are essential** to improving efficiency and timeliness.

IMPORTANT NEXT STEPS

May to October:

- continue to fine-tune the DRC pilot through early June, and then use lessons learned to accelerate the pace of other pilots; and
- recalibrate the financing model, incorporating the impact of business process improvements.

October:

- report on progress at the Third Session of the Executive Board in 2004 and request a decision to implement the BPR in 2005, either globally or in a phased approach, or to continue testing whether the pilot results are conclusive by that time.

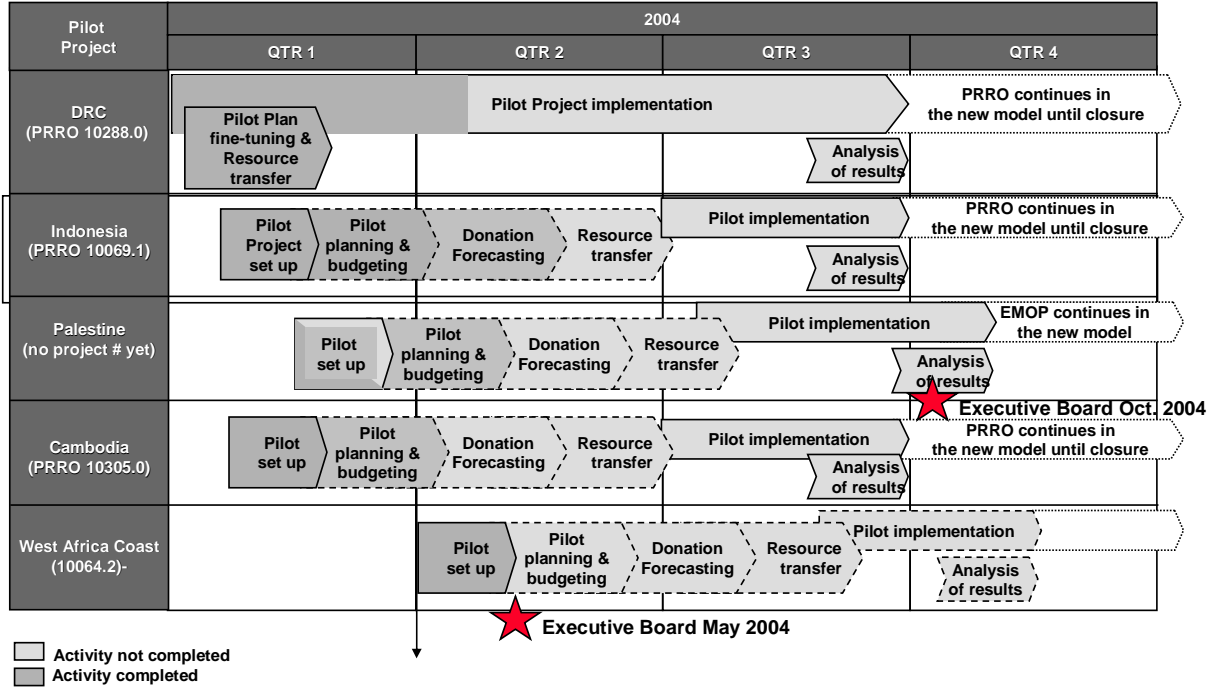
May to December:

- institutionalize other process improvements and prepare a global implementation plan for 2005.



ANNEX I

OVERVIEW OF CURRENT PILOT PROJECT TIMETABLE FOR 2004



ANNEX II

OVERALL BPR PROJECT CALENDAR

