

Cost Excellence Initiative Update

Informal Consultation

25 July 2016



World Food Programme

WFP must renew and reaffirm our responsibility to work differently and become agile, ready to address upcoming challenges

In a challenging and changing global context, WFP continuously strives to improve the way it works. To optimise its contribution to the Sustainable Development Goals (SDGs) WFP is undergoing the process of reshaping and reorienting its strategic path.

Humanitarian Emergencies

Efforts towards Zero Hunger are further compounded by an **unprecedented level of humanitarian emergencies and subsequent increased demand for WFP services.**

New Challenges

Enabling people to not only have improved food and nutrition security, but also achieve their livelihood potential, will **require an ever more effective, more efficient, more accountable, more transparent and strengthened WFP**



Cost Excellence will be a central pillar in helping WFP contribute towards efforts to achieve the Sustainable Development Goals

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

Cost Excellence Initiative

Global Support Cost analysis

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

Service Centre Feasibility Review

- A feasibility study to explore and quantify options for creating a service centre to achieve savings in payroll costs
- Process work to generate additional efficiencies through process optimisation

The 2016–18 Management Plan stated that identified optimization initiatives are likely to save up to \$3M in PSA budget

Narrative on Cost Excellence: 'Analysis of global support costs' section

233. The cost excellence initiative identified areas where WFP could redirect substantial funds to operational needs, with an emphasis on value for money for purchases of goods and services. Direct and indirect cost categories were investigated to identify savings without reducing the quality of services.

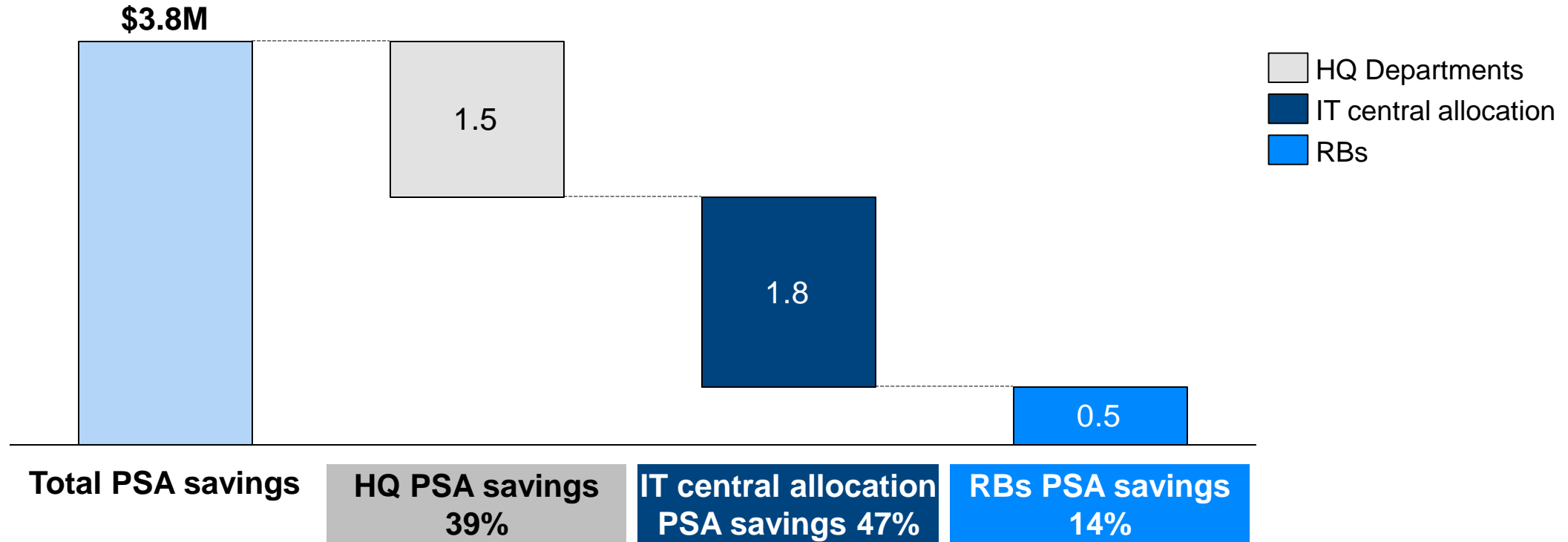
\$3M of non-payroll recurring savings without reducing the quality of services

235. While the majority of the impact from these cost optimization initiatives is expected on project related costs, WFP anticipates that savings of up to USD 3 million are likely to be reflected in the PSA budget.

(Extracts of the 2016–2018 MP, paragraphs 233 and 235)

Identified PSA savings of \$3.8M : Additional \$0.8M to the already \$3M committed in 2016-2018 Management Plan

Savings, Values in \$M, 2015



PSA reductions have been re-allocated by the SRAC to priority areas, including at the Country Office level (50%)

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Cost Excellence Initiative

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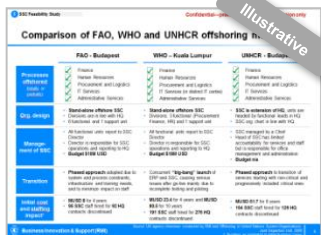
Service Centre Feasibility Review

- A feasibility study to explore and quantify options for creating a service centre to achieve savings in payroll costs
- Process work to generate additional efficiencies through process optimisation

Service Centre Feasibility Review approach: four steps from external benchmark review to process optimization and location analysis

Benchmark review

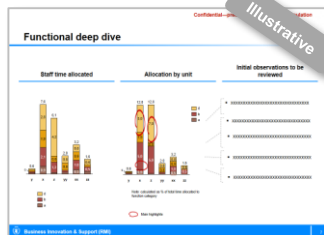
Benchmark review



- Investigate UN and private sectors experiences with service centres

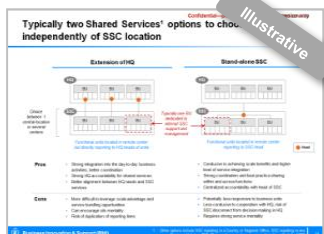
Scoping (Process & function analysis) Finalize business case

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

Risk analysis & mitigation plan

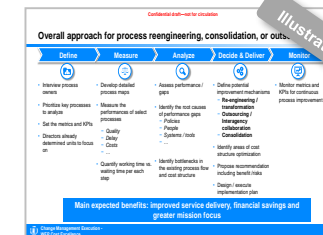
Risk analysis & mitigation



- Identify risks and required key mitigation actions

Process optimization Location analysis & selection

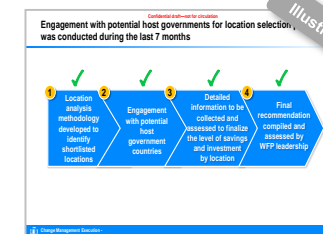
Process optimization



- Process reengineering, consolidation or outsourcing

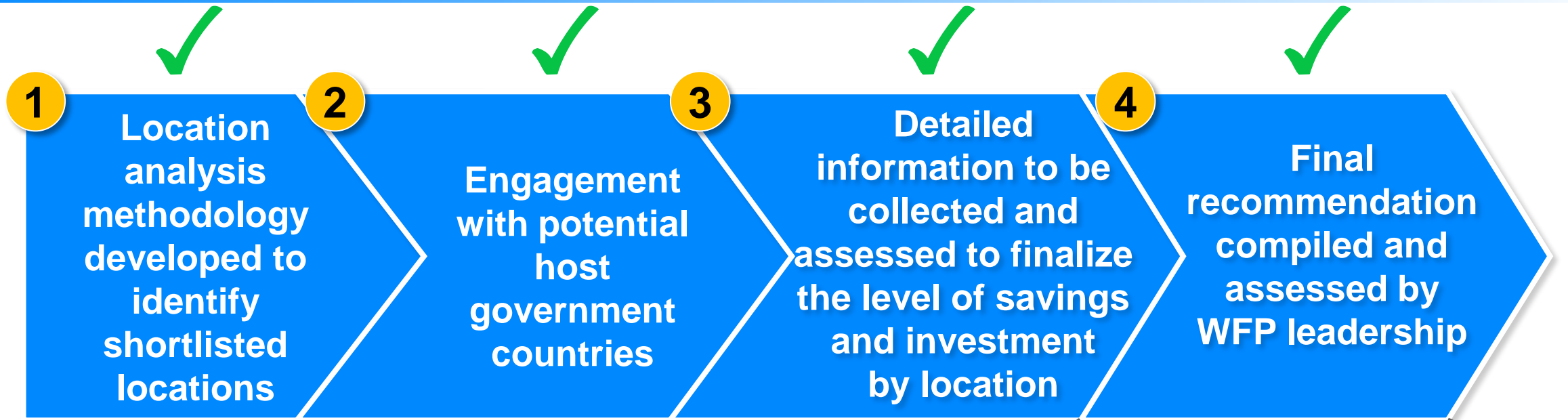
Focus next slides

Location analysis

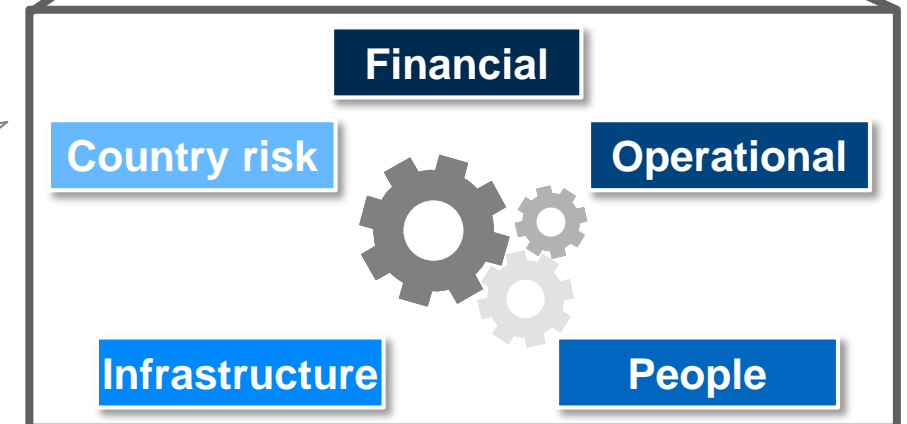


- Define location selection criteria and methodology

Engagement with potential host governments for location selection process was conducted during the last 7 months



All potential host government proposal were evaluated across five criteria to finalize the location selection process

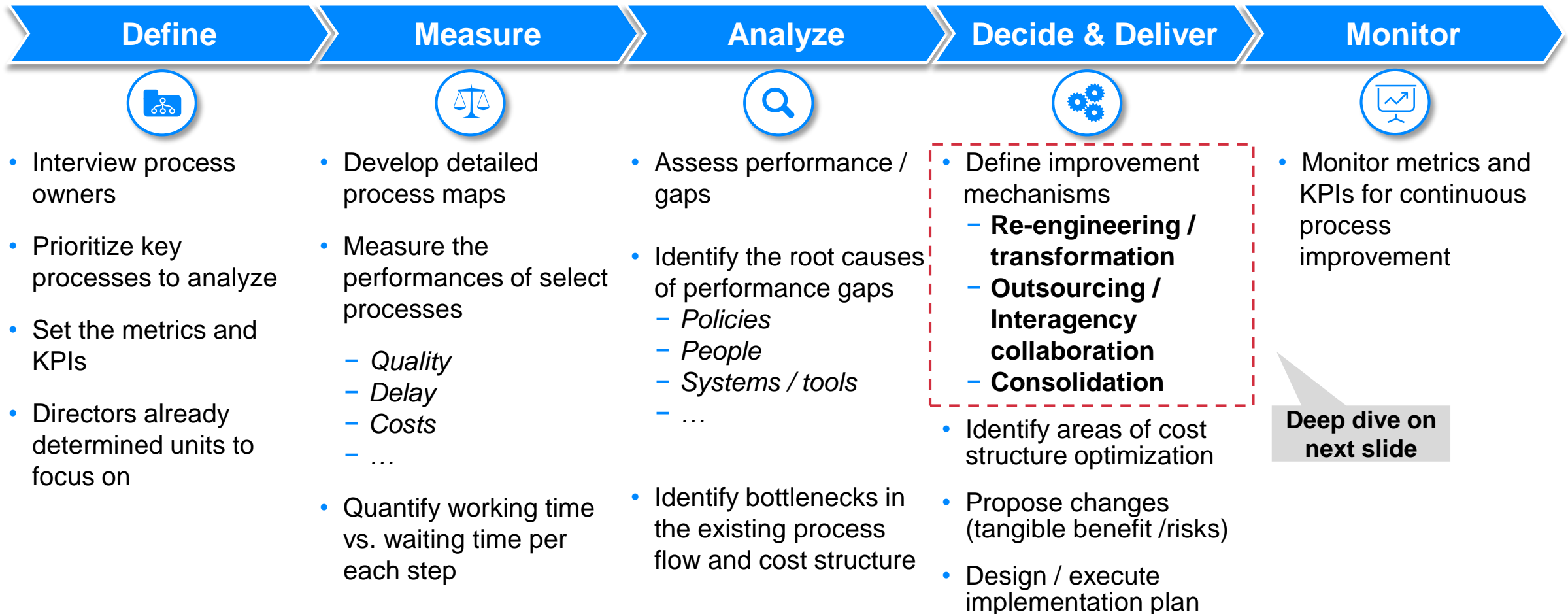


Final analysis showed that despite benefits, case for a physical location shift not compelling; process transformation has significant potential

- **Financial benefits** indicated by the proposals **not sufficiently compelling** (impacted by economic trends including Euro exchange rate)
- **Process transformation analysis indicates significant potential benefits** (savings, improved service delivery, focus at CO level)
- Management intends to focus its efforts in Cost Excellence on a **concentrated and ambitious process re-engineering effort**.
- **Process re-engineering efforts will likely require additional financial investments** which would be presented to the Executive Board for approval at its First Regular Session in February 2017.

Cost Excellence to generate additional efficiencies through process optimisation / transformation – details in next slides

Overall approach for process reengineering, consolidation, or outsourcing



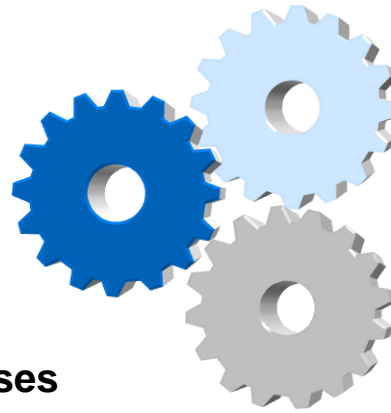
Main expected benefits: improved service delivery, financial savings and greater mission focus

Process optimization / transformation approach: 3 different type of process intervention mechanisms can be applied

Improvement mechanisms to be applied:

Re-engineering / Transformation

- Reorganize and **optimize processes** using technological improvements
 - Increase efficiency and effectiveness
 - **Reduce process lead time**
 - Enhance service delivery quality
- Simplify/ **remove non-value added steps/ processes**
 - Target sources of error and fall-out
 - **Reduce handoffs**
 - Change order or timing of steps
 - **Remove unnecessary steps**: Limit breakout details of process flow diagrams



Consolidation

- Consolidate processes from the field aiming to
 - **Free up time** in the field
 - **Increase focus** on strategic areas
 - **Leverage economies of scale**

Outsourcing / inter-agency collaboration

- Explore opportunities for services to be offered by other organizations, in order to
 - **Leverage interagency** service centres
 - Focus on **core mission**
 - Leverage **external competencies**

Process work initial scope:

Finance

Management
Services

Human
Resources

Information
Technology

Supply Chain

Process optimization / transformation: to date efforts in 4 areas launched

Areas	Details	Potential benefits
<div style="background-color: #0070C0; color: white; padding: 20px; text-align: center; font-weight: bold; font-size: 1.2em;">Finance</div>	<ul style="list-style-type: none"> • Focus of efforts on invoice management, payment & disbursement processes • Treasury Management System (TMS) fully implemented • Bank Communication Manager (BCM) 60% roll out completed • Invoice Tracking System (ITS) enhanced version field roll out to start in Q3 2016 • Global Payment Factory (GPF) payment & disbursement service consolidation Pilot with Pakistan CO later in 2016. 	<ul style="list-style-type: none"> • Economies (cost) and efficiencies with aggregate transactions • Increased process efficiency enables efficient response to growth • Enhanced risk management via global standard procedures • Greater focus on strategic work with reduction of transactional work on CO Finance staff • Better management of cash flow, financial planning, and reporting processes
<div style="background-color: #0070C0; color: white; padding: 20px; text-align: center; font-weight: bold; font-size: 1.2em;">Human Resources</div>	<ul style="list-style-type: none"> • Focus on five improvement streams: <ul style="list-style-type: none"> – Optimizing transfer & entitlements management – Integrating Self Service for fixed term management – Streamlining lifecycle management of Short term modalities – Optimizing information system and reporting – Excelling talent sourcing & contracting 	<ul style="list-style-type: none"> • Reduction of process lead time, through the simplification of key HR processes, to free up staff time for more value added activities • Enhanced customer service levels



Process optimization / transformation: to date efforts in 4 areas launched

Areas	Details	Potential benefits
<p>Information Technology</p>	<ul style="list-style-type: none"> • Three-fold approach pursued to increase effectiveness and efficiency of the IT organization <ul style="list-style-type: none"> – Review IT operating model and optimize IT processes - supported by an 8-weeks project with the external consultancy – Decommissioning legacy systems and ‘churn’ to free-up resources for new focus areas – Cost Optimization efforts to achieve cost savings (reduction of non-staff expenses) 	<ul style="list-style-type: none"> • Improved service delivery: new IT operating model including offshoring / outsourcing and movement of services/ licenses to cloud solutions • Increased mission focus: application decommissioning; ‘churn’ to reinvest into new priority areas • Savings: one-time and recurring due to contracts re-negotiations / management
<p>Management Services</p>	<ul style="list-style-type: none"> • Focus on travel process due to high volume and costs • Current status: Comprehensive review conducted in HQ + 3 COs, issues & potential changes identified • Short-term next steps: Two pilots, <ol style="list-style-type: none"> (1) Online flight search tool (2) Automated invoice verification / reconciliation and Policy review for cost reduction initiatives. • Long-term next steps: Business case for travel mgmt. platform 	<ul style="list-style-type: none"> • Increase process efficiency – reduce end-to-end process time • Ability to track staff movements for security • Increase accuracy of financial accounting for faster payments • Decrease air ticket costs through improved booking process • Enhance mgmt. reporting for improved decision making • Decrease travel costs through policy changes



Immediate next steps and upcoming milestones

Immediate next steps

- **Continue process optimisation / transformation efforts** on the 4 areas launched
- **Expand process analysis efforts to supply chain** functional area and identify other areas with high potential for optimization
- **Assess the investments required** to complete process change implementation

Upcoming milestones

- Evaluate and **assess tentative financial requirements for Process optimization / transformation efforts**
- Present any **tentative financial requirements to the Executive Board during the presentation of the Management Plan (2017–2019)** at the 2016 Second Regular Session
- If additional financial investments are required, **present the requirements** to the Executive Board for approval **at the 2017 first regular session**

Revised multi-year workplan: increased focus on process for 2016 and 2017

