
ANNEX III-C: SUPPLEMENTAL REPORTING ON TOP TEN EFFICIENCY GAINS IN 2020

Efficiency is one of the Executive Director's key priorities and a core value for WFP: every dollar saved means that WFP can reach more hungry people with much-needed food assistance, and in emergencies, every minute counts when reaching the most vulnerable people.

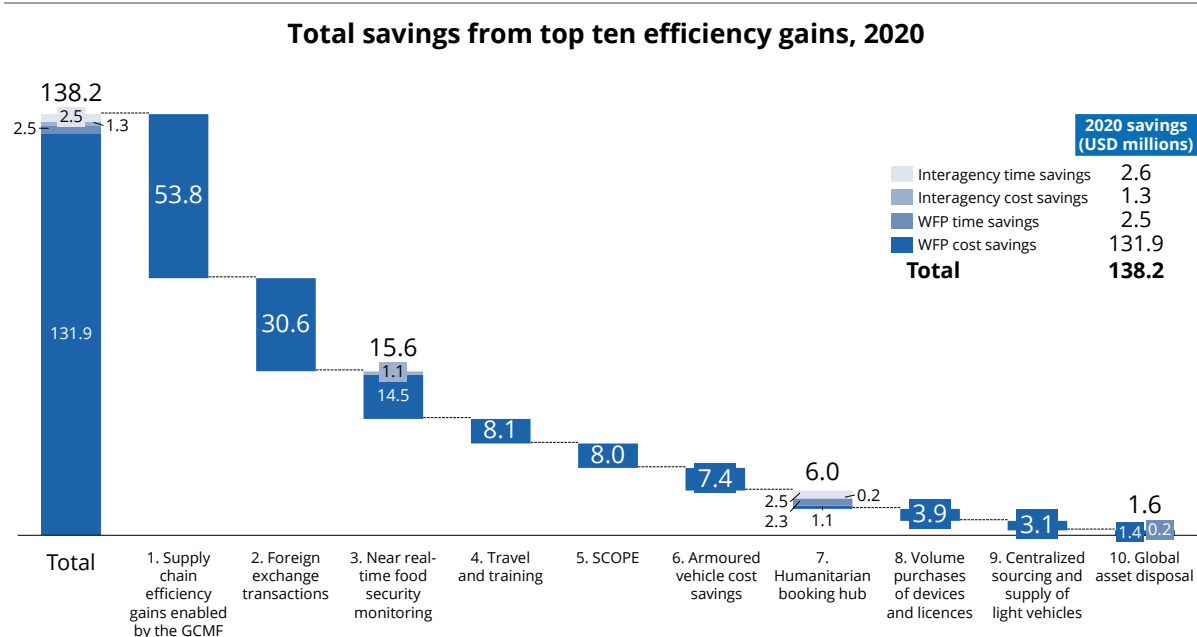
This annex provides detailed information on the top ten efficiency initiatives with validated savings. The below figure provides a summary of the top savings achieved in 2020.

Process for tracking efficiency gains in 2020

1. For 2020, WFP tracked, measured and communicated efficiency gains throughout the organization. The exercise included gathering inputs from 13 functional areas at the headquarters, regional and country office levels. Efficiency initiatives span the WFP value chain from programme-related initiatives to those for enabling services, and this annex covers both internal WFP and inter-agency efficiency gains in 2020. All the estimated savings have been validated with back-up calculations; are presented with clear explanations of underlying assumptions; have been evaluated against a consistent set of inclusion criteria; and have been reviewed and approved by the WFP directors concerned.
2. In accordance with the United Nations Development Coordination Office's definition, three components underly efficiency and effectiveness gains: cost avoidance, time savings and quality improvement. Cost avoidance reflects the reduction of the financial resources disbursed to achieve a given outcome. In other words, it is the value that is avoided (in USD) when a new way of working is introduced to achieve the same results; for example, a preferred rate agreed with selected hotels enables cost savings. Time savings reflect the reduction in working hours needed to perform a given task and achieve the same results. It is presented as the number of full-time equivalent units (FTEs) saved when a new way of working achieves the same results; for example, the automated digital transformation of booking, invoicing and reporting processes yields time savings. Quality improvement refers to the improved outcomes – such as higher levels of oversight and control, lower carbon dioxide emissions, shorter lead times or enhanced monitoring – achieved using a given level of resources. Descriptions of quality improvements reflect the details of the main benefits achieved for the process or service concerned; for example, technology-enabled asset tracking reduces the risk of asset misplacement.

Top initiatives with savings

3. The savings reported for each initiative comprise WFP and, where relevant, interagency savings. Total savings are the cumulative savings from cost and/or FTE savings, as applicable.



Note: Total savings comprise cost savings and time savings in full-time equivalent (FTE).

Abbreviation: GCMF = Global Commodity Management Facility.

Finance

FOREIGN EXCHANGE TRANSACTIONS				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 30.6 million	-	-	-	USD 30.6 million
USD 30.6 million	-	-	-	

4. WFP converts significant amounts of hard currency¹ into local currencies for paying local vendors. Since 2007, WFP has made efforts to ensure that it receives the best possible rates for currency conversions through competitive bidding. These financial flows inject much-needed hard currency into local financial systems. Since 2010, WFP has been centralizing foreign currency conversion for field offices, resulting in USD 129.1 million in cumulative savings² or gains by the end of 2020, with USD 30.6 million in 2020 alone. Savings are calculated by aggregating the variances between actual exchange rates realized on foreign currency deals and the prevailing United Nations Operational Rate of Exchange for individual transactions. Centralized purchases of foreign exchange on behalf of 52 country

¹ Hard currency refers to money that is issued by a nation that is seen as being politically and economically stable.

² Cumulative savings are as of 31 December 2020. Savings are calculated based on the actual variance between the exchange rate realized on foreign currency deals and the United Nations Operational Rate of Exchange weighted by the transaction volume.

offices resulted in better value for money when replenishing local operational bank accounts. The total volume of foreign currency exchanges in 2020 was USD 1.25 billion.

Management services

CENTRALIZED SOURCING AND SUPPLY OF LIGHT VEHICLES				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 3.1 million	-	-	-	USD 3.1 million
USD 3.1 million		-		

5. In 2007, WFP established the Global Vehicle Leasing Programme (now called the Fleet Centre) as an internal centralized service that sources light vehicles with pre-selected accessories for country operations. The Fleet Centre has saved WFP an estimated USD 3 million per year through preferential rates from manufacturers and spreads the cost of vehicle acquisition over a five-year period. In 2020, the Fleet Centre sourced 372 light vehicles with standard and optional accessories. The estimated cost reduction per vehicle was USD 8,400, giving a total cost saving of USD 3.1 million for 2020.

ARMoured VEHICLE COST SAVINGS				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 7.4 million	-	-	-	USD 7.4 million
USD 7.4 million		-		

6. The centralized sourcing of armoured vehicles by the Fleet Centre, including the use of vehicles provided by donors (which required outsourcing of only the addition of armoring) enabled WFP to reduce the cost per armoured vehicle from an average of USD 173,000 to USD 77,000. In 2020, the Fleet Centre acquired 24 armoured vehicles and converted 52 light vehicles into armoured vehicles through a local vendor in Dubai, thereby saving USD 7.4 million.

GLOBAL ASSET DISPOSAL				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 1.4 million	6.8	-	-	USD 1.6 million
USD 1.6 million		-		

7. The global asset disposal team was set up in 2019 to accelerate and maximize the recuperation of revenue from unused and obsolete assets and equipment through public auctions. The primary source of such income is the sale of light vehicles that are over-aged or no longer needed for WFP activities. A proof of concept for global asset disposal was completed in 2019 and subsequently mainstreamed into a new way of working. In 2020, WFP generated USD 1.4 million in net revenues³ from the sale of unused and obsolete assets. Asset disposal is carried out in partnership with the Office of the United Nations High

³ Net revenues are calculated as gross auction revenues minus auction fees. The total net revenues stem from asset sales in ten country offices (Chad, Côte d'Ivoire, Guinea, Kenya, Liberia, the Niger, Sao Tome and Principe, Sierra Leone, Somalia and Uganda) and one regional bureau (the Regional Bureau for Eastern Africa).

Commissioner for Refugees (UNHCR). WFP has also achieved time savings by adopting UNHCR's approach to and services for asset disposal. In 2020, time savings of 6.8 FTE were achieved in storekeeping (6 FTE)⁴ and management of the equipment master record (0.8 FTE).⁵

HUMANITARIAN BOOKING HUB				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 1.1 million	63.0	USD 0.2 million	69.4	USD 6.0 million
USD 3.3 million		USD 2.7 million		

8. The humanitarian booking hub is a global service open to the wider humanitarian community and providing digitalized booking and back-office services for accommodation, transportation, medical services and counsellor services. In 2020, increased occupancy rates, achieved by facilitating online access to WFP guesthouses, resulted in USD 1.0 million in additional revenues and 36 FTE⁶ in time savings for WFP, and 69.4 FTE in interagency time savings. In July 2019, the United Nations mobility service was launched, allowing humanitarian staff to book United Nations vehicles (many of which belong to WFP) and drivers, and providing administrators with an effective global mobility back-office. In 2020, WFP made internal cost savings of USD 0.1 million and time savings of 24 FTE while providing other agencies with common mobility services that were valued at USD 0.2 million.⁷ The hub's aviation services were launched in April 2020 and became mandatory in June. In 2020, these efforts yielded time savings of 3 FTE⁸ for WFP through automation of the submission of booking documents, a late booking facility and the splitting of journeys involving multiple flights.

Research, assessment and monitoring

NEAR REAL-TIME FOOD SECURITY MONITORING (MVAM)				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 14.5 million	0.4	USD 1.1 million	0.8	USD 15.6 million
USD 14.5 million		USD 1.1 million		

⁴ The store keeping FTE savings are derived from the closure of eight small warehouses, in which two hours were worked each day; the closure of one medium to large warehouse, accounting for 2 FTE; and a reduction in the time required to manage the remaining assets in warehouses following the disposal of those surplus to requirements (2 FTE).

⁵ Estimation of the time savings in management of the equipment master record is based on the following assumptions: 2,688 assets are disposed of per year; and each asset requires 0.5 hours of record management (for physical counting, reconciliation, etc.) per year.

⁶ Based on comparison with an adjusted baseline that takes into account the effects of the COVID-19 pandemic, which according to a [market report by Fitch](https://www.fitchratings.com/research/corporate-finance/european-hotel-occupancy-rates-will-not-recover-until-2023-12-05-2020) resulted in a drop of 60 percent in hotel occupancy levels. The cumulative additional revenue generated for WFP since 2017 is USD 2.3 million. See Fitch Ratings. 2020. European Hotel Occupancy Rates will not Recover until 2023. [Fitch Wire](https://www.fitchratings.com/research/corporate-finance/european-hotel-occupancy-rates-will-not-recover-until-2023-12-05-2020), 12 May 2020. <https://www.fitchratings.com/research/corporate-finance/european-hotel-occupancy-rates-will-not-recover-until-2023-12-05-2020>.

⁷ Time savings are calculated as the difference between the time spent before and after the automation of booking, consolidation and reporting processes.

⁸ Cost savings calculations take into account the savings from consolidation of two separate bookings performed through the hub. They do not include single bookings for multiple passengers. In addition, digital logbook savings are not included in 2020 time savings calculations.

9. Near real-time food security monitoring systems enable WFP to provide daily food security estimates in countries facing food crises. Data on key indicators are collected continuously through voice calls, analysed and visualized in near real-time, and fed into HungerMap LIVE, WFP's global hunger monitoring system.⁹ The objective is to enable WFP management, regional bureaux and country offices, and partners to monitor the situation daily, identify problems in real-time in the event of a crisis, and provide the necessary information for early action and mitigation.
10. Traditional food security monitoring systems typically involve large-scale data collection exercises conducted several times a year, which can be resource- and time-intensive. Near real-time food security monitoring systems provide a highly flexible and efficient way of collecting information daily. A combination of traditional and near real-time systems will enhance efficiencies by providing continuously updated data at a lower cost and in less time, while ensuring the quality and robustness of the systems.
11. In 2020, cost savings from leveraging near real-time food security monitoring systems amounted to USD 15.6 million¹⁰ and time savings were 1.2 FTE, driven by reductions in the time required to collect and analyse data, as well as lower data collection costs. These savings are calculated based on the expansion of near real-time monitoring in 38 countries in 2020, and support for the COVID-19 Global Humanitarian Response Plan, and inter-agency processes such as the Integrated Food Security Phase Classification (IPC) and the cadre harmonisé (CH) in five countries.

Supply chain operations

SUPPLY CHAIN EFFICIENCY GAINS ENABLED BY THE GLOBAL COMMODITY MANAGEMENT FACILITY				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 53.8 million	-	-	-	USD 53.8 million
USD 53.8 million			-	

12. The Global Commodity Management Facility (GCMF) is an advanced financing mechanism with an envelope of USD 560 million that allows WFP to purchase food and deliver it to strategic delivery locations before country offices receive confirmed contributions. The facility's objectives are to reduce food delivery lead-times, shorten emergency response times purchase food when market conditions are favourable and capitalize on economies of scale, and support local and regional procurement (including from smallholder farmers) where and when possible.
13. In 2020, food procurement through the GCMF allowed recipient country offices to receive food after an average 28 days, representing a 77 percent reduction from the average 120 days needed in a "conventional" procurement process. Such reductions were

⁹ Available at: <https://hungermap.wfp.org>.

¹⁰ Savings are estimated from the difference in total cost of conducting surveys via mobile technologies rather than face-to-face interviews (calculated as the number of interviews multiplied by the average cost of each interview). Over the course of a year, near real-time monitoring replaces two rounds of face-to-face interviews. Savings in 2020 are calculated pro-rata according to the number of months in which near real-time monitoring was used in each of the 28 countries in which the initiative was rolled out in 2020. A full year of use was counted for countries that adopted the system prior to 2020. For the five countries for which interagency savings are reported (the Central African Republic, the Democratic Republic of the Congo, Djibouti, Ethiopia and Kenya, totalling USD 1.1 million), one round of near real-time monitoring is considered as replacing one round of face-to-face interviews. A unit cost of USD 30 for each face-to-face interview is used, based on the average cost in the four countries assessed in 2019 for this purpose (Democratic Republic of the Congo, Nepal, Nigeria and Yemen). The unit cost is the price agreed with service providers in their long-term agreements.

particularly critical for specialized nutritious foods and during humanitarian crises, with seven of the eight country offices facing Level 3 emergencies relying on the GCMF to fulfil most of their operational requirements. Optimally timed purchases and economies of scale generated USD 53.8 million¹¹ in cost savings for recipient countries in 2020.

Technology

SCOPE				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 8.0 million	-	-	-	USD 8.0 million
USD 8.0 million			-	

14. WFP has achieved significant efficiency gains in beneficiary information management through the removal of duplicate biometric identities¹² from SCOPE, its beneficiary information and transfer management platform.
15. In 2020, such measures achieved total savings of about USD 8.0 million,¹³ derived from the removal of duplicate registrations, which was enabled by SCOPE and executed by country offices. These savings are estimated based on the drop in the number of multiple transfers to beneficiaries with multiple registrations.
16. Removal of duplicates also facilitates effectiveness gains associated with quality improvement through reduced beneficiary inclusion errors, improved accuracy of data on household sizes for more effective and efficient planning, and enhanced levels of assurance and control.
17. More generally, SCOPE contributes to increasing overall effectiveness by automating key operational processes in the programme lifecycle, facilitating stronger oversight, control and monitoring of resources. It helps to mitigate operational and financial risks. Through application controls and its mechanism for role-based access, SCOPE enforces the segregation of duties. It also serves as a key data source from which country offices can derive operational insights and analytics. In locations where no suitable financial service providers are available WFP can use SCOPE to establish a secure closed-loop electronic or paper voucher service for transfers of beneficiaries' entitlements, enhancing any oversight and controls that are provided and, in some instances, charged for separately by cooperating partners.

¹¹ Based on the differences in commodity prices paid by WFP for purchases via the GCMF and conventional purchases.

¹² Biometric identities are based on the fingerprints of beneficiaries, which are used for identification purposes. Each beneficiary should have a unique fingerprint and each fingerprint should identify a single beneficiary, although in some cases several identities are linked to a single fingerprint.

¹³ For each country office, the cost avoided is calculated as the difference between the actual and expected volumes of extra transfers in 2020 (based on a ratio of the total volume of transfers in 2019). Extra transfers are transfers that beneficiaries receive beyond their entitlements as a result of multiple registrations. Cost avoided is computed as savings due to SCOPE only when the country office concerned reported improved results for at least three of the four KPIs monitored: percentage of new registrations identified by SCOPE as duplicates; actual volume of duplicates removed from the system by individual country offices to achieve a one-to-one correspondence between biometric data entries and identities; total extra transfers made to beneficiaries with multiple registrations; and an inventory of obsolete or duplicate identities for removal from the system.

VOLUME PURCHASES OF DEVICES AND LICENCES				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 3.9 million	-	-	-	USD 3.9 million
USD 3.9 million			-	

18. WFP purchases large quantities of licences and devices, such as smartcards and mobile points of sale, which it needs for the biometric registration and transfer management systems used in implementing its transfer programmes. By purchasing large volumes of these –and consequently benefiting from economies of scale – WFP was able to achieve savings of approximately USD 3.9 million. Centralized procurement of biometric licences made it possible to adopt arrangements that incurred lower licensing, support and maintenance fees than procuring individually for each regional bureau. An example is the conditional on-demand assistance (CODA) system, which records beneficiaries' information using only a mobile device, a smartcard and a proprietary application, which functions both on and off line, making it ideal for remote settings. The procurement of smartcards and mobile points of sale through long-term agreements for large quantities allowed discounts of between 25 and 55 percent compared with standard retail prices.

WFP headquarters

TRAVEL AND TRAINING FUNDED FROM THE PROGRAMME, SUPPORT AND ADMINISTRATIVE BUDGET				
Total WFP savings		Total interagency savings		2020 total savings
Cost	FTE	Cost	FTE	
USD 8.1 million	-	-	-	USD 8.1 million
USD 8.1 million			-	

19. In 2020, travel restrictions were imposed in most of the countries where WFP operates, requiring the organization's leadership to develop alternative methods of operating, including for travel and staff training. WFP management revised the budgets of headquarters divisions, generating savings of USD 5.0 million in the programme support and administrative (PSA) budget and USD 3.1 million in multilateral funding. The management plan sets out the core resource allocations in the PSA budget and the non-recurring investments to be funded from the PSA equalization account. These proposals demonstrate WFP's commitment to delivering effective leadership in emergencies and programme excellence that contribute to progress towards the attainment of the Sustainable Development Goals. Multilateral contributions are contributions for which WFP determines the country programme or WFP activities in which they will be used and the ways in which they will be used. They include contributions made in response to a broad-based appeal for which reports submitted to the Board are sufficient for meet the reporting requirements of donors.¹⁴ In total, travel and training costs were reduced by USD 8.1 million. In this way WFP, was able to use the pandemic in 2020 as an opportunity to transform and improve efficiencies across the organization.

¹⁴ Multilateral funds are crucial for WFP's emergency responses and protracted relief and recovery efforts. As no additional reporting is required, multilateral contributions reduce the administrative burden on WFP and increase efficiency in that most of the contributions go straight into operations. The use of multilateral funds is subject to a careful prioritization and allocation process. WFP's expertise in needs assessment, food markets and logistics guarantees maximum value and effectiveness.