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## FINANCE COMMITTEE

**Hundred and Thirty-eighth Session**

**Rome, 21 – 25 March 2011**

**Creation of a Single Shared Services Centre**

Queries on the substantive content of this document may be addressed to:

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### **EXECUTIVE SUMMARY**

- Following a recommendation of the 135<sup>th</sup> Session of the Finance Committee, the Council discussed at its 140<sup>th</sup> Session in December 2010 the high level proposal for the creation of a global Shared Services Centre (SSC) in Budapest. The Council requested the report of the in-depth analysis supporting the proposal be made available for discussion at its April 2011 meeting.
- This document is submitted as a covering note to the in-depth SSC review report, which is attached as an Annex . The report, submitted to the Finance Committee for information and discussion, confirms that savings of USD 1.94 million per biennium would be realized by closing the SSC hubs in Bangkok and Santiago and consolidating the operations in a single global Centre in Budapest, subject to one-time implementation costs of approximately USD 200,000. This consolidation, coupled with a cost-neutral organizational rearrangement of “front-office” functions in each of the Regional Offices, would bring a number of benefits: economies of scale; standardization of transaction processing; improved management information; reduced points of contact for clients; and improved support to decentralization and to future IPSAS processes.

### **GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE**

- The Finance Committee is invited to review the in-depth report provided in line with the request of the 140<sup>th</sup> Session of the Council, and to provide its comments thereon.

#### **Draft Advice**

- **The Committee took note of the in-depth report on the Shared Service Centre and supported the inclusion of its proposals in the Programme of Work and Budget (PWB) 2012-13.**

## BACKGROUND

1. Following approval by the Conference in 2006, FAO established in 2007 a Shared Services Centre (SSC) comprising a centre in Budapest and two hubs in Bangkok and Santiago, with a coordination unit in Rome (the latter was closed from 2010). A guiding principle of the SSC was to consolidate and move a number of “back-office” administrative transactions to lower-cost locations. These are transactions which were considered to be high in volume, routine in nature, based on documented rules and standard procedures, of low strategic importance and which were location-independent.
2. The PWB 2010-11 emphasized that, subject to further detailed review in 2010, savings in the order of USD 1.8 million per biennium could be realized by closing the SSC hubs in Bangkok and Santiago, and consolidating the operations in a single global Centre in Budapest<sup>1</sup>. Following a paper presented to the 2010 Regional Conferences on the possibility of consolidating all SSC functions in a single global Centre, and pursuant to recommendations made by the Regional Conferences, FAO proceeded with an in-depth review of the functions of the SSC, as well as more general administrative functions.
3. In October 2010 at its 135<sup>th</sup> Session, the Finance Committee discussed in detail the technical merits of the proposal to establish a single global Shared Services Centre in Budapest for back-office human resource and travel functions. It appreciated that the initiative was linked to the ongoing efforts of the Organization to generate recurring efficiency savings as required by the 2009 Conference, and concluded that the proposal for the creation of a single Shared Services Centre should be submitted to the Council for review.
4. In December 2010 at its 140<sup>th</sup> Session, the Council requested that the full in-depth report of the SSC review be made available, taking into account the position of all Regional Conferences. The full report is hereby submitted to the 138<sup>th</sup> Finance Committee as an annex to this document, for consideration and formulation of its recommendations to the 141<sup>st</sup> Session of the Council.

### I. 2010 in-depth Shared Services Centre review

5. An analysis of the demand for SSC operations by location was performed. It indicated that the Budapest centre was consistently more productive than the hubs in processing “back-office” transactions, with a higher ratio of staff member serviced per SSC staff, which confirmed that economies of scale have been achieved in the centre as planned. In terms of the quality of the services provided, the results of the 2009 SSC Client Survey were analysed, and showed an overall client satisfaction exceeding 70 percent (which is the industry average target) in the Budapest centre and a higher satisfaction rate in the hubs. Transaction turnaround time was also analysed and found to be greater than 24 hours, thus making timezone considerations to complete administrative transactions swiftly less relevant; this observation was supported by the fact that all UN Agencies who have opened SSCs operate from a single global centre (WHO from Kuala Lumpur; UNHCR from Budapest, and UNDP from Copenhagen). Moreover, the FAO SSC Budapest centre already services FAO Emergency Operations worldwide since late 2008.
6. The review recommended a global SSC centre in Budapest and reinforced the original analysis of the selection of Budapest as the preferred location, confirming that the expected benefits have been achieved, and that staff costs remain lower in Budapest than the costs in Bangkok and Santiago.

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<sup>1</sup> C 2009/15 paragraph 194

7. The proposed staffing of the SSC global centre in Budapest is based on an analysis of the current staffing and transaction volumes in the hubs and in Budapest. It involves the establishment of 13 additional General Service posts and one additional Professional post in Budapest. The SSC hubs in Santiago and Bangkok are reduced by 20 General Service posts and 2 Professional posts. Since the review ascertained that the SSC hubs in Santiago and Bangkok provide other services (such as recruitment, performance management, protocol, administrative assistance, etc.) which are not provided by the SSC Budapest, one senior General Service position was maintained in both Santiago and Bangkok to deal with these front-office activities.

## **II. Proposal for implementation of a single Shared Services Centre**

8. The consolidation of the two SSC hubs in Santiago and Bangkok into a global centre in Budapest is reflected in the PWB 2012-13 proposal. The potential savings are estimated at approximately USD 1.94 million per biennium based on location-specific standard costs<sup>2</sup>. One-time implementation costs are estimated at approximately USD 200,000.

9. Building on an understanding of the broad nature of internal services provided in each region, the review recognized the need to more rigorously identify and organize “front office” administrative and operational functions within each region. Front-office activities include, but are not limited to recruitment, performance management, protocol, and administrative assistance. They require local expertise, local language skills, and high interaction with clients and should clearly remain at the regional level. To properly service such front-office functions, the review foresees that each region establish a new Regional Office Programme Support Unit (RPSU). This can be achieved without incurring any net incremental costs, by rearranging the remaining administrative and operational staffing in each Regional Office.

10. Overall this distinction of functions between back-office and front-office, and the application of the new model through consolidation of back office functions in Budapest, coupled with cost-neutral organizational rearrangement in each of the Regional Offices would bring a number of benefits: economies of scale, standardization of transaction processing, improved management information, reduced points of contact for clients, and improved support to decentralization and to future IPSAS processes.

11. In addition to the application of this new model, the review also recommended that consideration be given to establishing one professional human resources position in each of the Regional Offices in Accra, Bangkok, Cairo and Santiago, in recognition of the significant delegations to the regions for human resource management following the implementation of several IPA actions.

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<sup>2</sup> A new methodology of regional standard rates was introduced in 2010-11 to facilitate budgetary planning and management within the same region. Using the regional standard rates, which provide a less accurate reflection of the economic cost of the proposed consolidation of the hubs, savings are estimated at USD 1.4 million per biennium.



**Food and Agriculture Organization**

SSC Hubs Review  
Final Report

February 2011



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## EXECUTIVE SUMMARY

1. Following approval by the Conference in 2006, in 2007 FAO established a Shared Services Centre (SSC) comprising a centre in Budapest and two hubs in Bangkok and Santiago, with a coordination unit in Rome. The structure became operational in January 2008.
2. A guiding principle of the SSC was to consolidate and move a number of “back-office” administrative transactions to lower cost locations. These are transactions which were considered to be high in volume, routine in nature, based on documented rules and standard procedures, of low strategic importance and which were location independent. Transactions included Human Resources servicing, travel advances and expense claims, accounting journals, letters of agreement, invoice processing, clerical procurement, inventory processes and related helpdesk activities. Before the establishment of the SSC, Human Resource and Travel services were provided by the MSS (Management Support Service) at headquarters and by each Regional Office MSU (Management Support Unit). The establishment of the SSC resulted in the elimination of the MSS at headquarters and the elimination of the Management Support Units in the Regional Offices in Cairo and Accra, with the attendant services being provided from the SSC centre in Budapest. Budgeted biennial savings of USD 8 million since 2008 have in fact been exceeded and previously reported to the Finance Committee.
3. The PWB 2010-11 reported on an ongoing review of the SSC in 2009, aimed at optimizing staffing levels in the Budapest Centre, reporting lines and governance as well as identifying possible further improvements. At the time of finalizing the PWB in mid-2009, the main considerations and recommendations of the ongoing review included the confirmation of the staffing of the SSC Centre, the closure of the SSC coordination unit in Rome, and the transfer of the SSC Chief post to Budapest. Moreover, the review indicated that Management best-practices and apparent difference in productivity between the Centre in Budapest and the hubs in Bangkok and Santiago also justified further research to assess the feasibility of consolidating all SSC operations to Budapest. The PWB 2010-11 emphasised that, subject to further detailed review in 2010, savings in the order of USD 1.8 million per biennium could be realized<sup>1</sup>.
4. Following the paper presented to the 2010 Regional Conferences on the possibility of consolidating all SSC functions in a global Centre, and pursuant to recommendations made by the Regional Conferences, in June 2010 FAO decided to proceed with an in-depth review of the functions of the SSC. To take a holistic account of qualitative factors, FAO also expanded the scope of the review to include administrative services in general and to cover a review of administrative operations in the regional offices located in Cairo and Accra which had been receiving services from the SSC Centre in Budapest since 2008. The scope was also expanded to consider the impact on administration of major IPA projects like IPSAS and the decentralization functions hitherto performed by the Office of Support to Decentralization (OSD) and delegation of TCP management, with the objective of

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<sup>1</sup> C 2009/15 paragraph 194



identifying a new administrative model aimed at optimizing cost, efficiency and quality of administrative services. An FAO-led team composed of Accenture consultants and senior FAO staff with extensive experience of corporate services was formed and visited the Regional Offices in Santiago, Bangkok, Accra and Cairo, where they met regional office management and staff at all levels to discuss and review all aspects of administration.

5. This report presents the findings and recommendations of the in-depth SSC review, conducted between July 2010 and January 2011.

6. An analysis of the demand for SSC operations by location was performed and indicated that the Budapest centre was consistently more productive than the hubs in processing “back-office” transactions, with a higher ratio of staff member serviced per SSC staff, confirming that economies of scale have been achieved in the centre as planned. In terms of the quality of the services provided, the results of the 2009 SSC Client Survey were analysed, and showed an overall client satisfaction exceeding 70% (which is the industry average target), in the Budapest centre and a higher satisfaction rate in the hubs. Transaction turnaround time was also analysed and found to be greater than 24 hours, thus making timezone considerations to complete administrative transactions swiftly less relevant: this observation was supported by the fact that all UN Agencies that have opened SSCs operate from a single global centre (e.g. WHO, from Kuala Lumpur; UNHCR, from Budapest, and UNDP, from Copenhagen). Moreover, the FAO SSC Budapest centre already services FAO Emergency Operations worldwide since late 2008.

7. The review recommended a global SSC centre in Budapest and re-validated the original analysis of the selection of Budapest as the preferred location for transaction processing. It also noted that the staff cost of UN employees remains lower in Budapest than the comparative cost in Bangkok and Santiago.

8. The proposed staffing of the SSC global centre in Budapest is based on an analysis of the current staffing and transaction volumes in the hubs and in Budapest. Since the review also ascertained that the SSC hubs in Santiago and Bangkok provide other services (such as recruitment, performance management, protocol, assistance, etc) which are not provided by the SSC Budapest, it is also proposed to maintain an HR Associate (senior GS position) in Santiago and Bangkok to deal with these front-office activities.

9. The estimated costs and savings of the consolidation of the two SSC hubs in Santiago and Bangkok into a global centre in Budapest would provide savings of approximately USD 1,940,000 per biennium<sup>2</sup>. This would affect 20 General Service and two professional positions in Bangkok and Santiago while one professional and 13 General Service positions would be created in Budapest. This review therefore confirms the estimate in the PWB 2010-11 that savings in the order of USD 1.8 million per biennium can be realised by putting

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<sup>2</sup> Based on location specific average actual costs. A new methodology of regional standard rates was introduced in 2010-11 to facilitate budgetary planning and management within the same region. Using the regional standard rates, which provide a less accurate reflection of the economic cost of the proposed consolidation of the hubs, savings are estimated at USD 1.4 million per biennium.





into effect a global centre in Budapest. One time implementation costs are estimated at approximately USD 200,000.

Baseline 2010 - SSC HUBs	PWB		of which vacant		Cost (Actual Cost 2009)
	P	G	P	G	
<b>SSC - HUB Bangkok</b>	<b>1</b>	<b>12</b>			<b>\$ 837,840</b>
HR	1	8			\$ 636,828
Travel		4		2	\$ 201,012
<b>SSC - HUB Santiago</b>	<b>1</b>	<b>10</b>			<b>\$ 729,108</b>
HR	1	7			\$ 569,208
Travel		3			\$ 159,900
<b>Total SSC</b>	<b>2</b>	<b>22</b>	<b>0</b>	<b>2</b>	<b>\$ 1,566,948</b>

2012 proposal	PWB		Cost (Actual Cost 2009)
	P	G	
<b>RO - Bangkok</b>	<b>0</b>	<b>1</b>	<b>\$ 67,848</b>
HR		1	\$ 67,848
<b>RO - Santiago</b>	<b>0</b>	<b>1</b>	<b>\$ 76,620</b>
HR		1	\$ 76,620
<b>SSC Budapest (resource increase)</b>	<b>1</b>	<b>13</b>	<b>\$ 449,352</b>
HR	1	9	\$ 357,480
Travel		4	\$ 91,872
<b>Total</b>	<b>1</b>	<b>15</b>	<b>\$ 593,820</b>

<b>Potential cost savings recurring (per annum)</b>	<b>\$ 973,128</b>
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Building on an understanding of the broad nature of internal services provided in each region, the review identified the need to more rigorously identify and organize “front-office” administrative and operational functions within each region.

10. Front-office activities include but are not limited to recruitment, performance management, protocol, assistance. They require local expertise, local language skills, and high interaction with clients and should clearly remain at the regional level. To properly service such front-office functions, the review foresees that each region establish a new Regional Office Programme Support unit (RPSU). This can be achieved without incurring any net incremental costs by re-arranging the remaining administrative and operational staffing in each regional office.

11. Overall this distinction of functions between back-office and front-office, and the application of the new model through consolidation of back-office functions in Budapest coupled with cost neutral organizational rearrangement in each of the regional offices would bring a number of benefits: economies of scale, standardization of transaction processing, improved management information, reduced points of contact for clients, and improved support to Decentralization and future IPSAS processes.



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12. At the same time, the review found that there is significant scope for process simplification and improved use of the FAO IT systems and infrastructure by Regional Offices, and that consideration should be given to further consolidation of transaction processing in Budapest, also from Headquarters.

13. In addition to the application of this new model, the review also recommended that consideration be given to establishing one professional Human Resources position in each of the Regional Offices in Santiago, Accra, Cairo and Bangkok in recognition of the significant delegations to the regions for human resource management following the implementation of several IPA actions.

14. A roadmap has been developed to progressively implement the recommendations of this review, including: in 2011, the implementation of process and information system improvements; foreseeing in the 2012-13 Programme of Work and Budget the consolidation in the Budapest Centre with a view to implementing a global shared service centre in Budapest during 2012-13 to realise savings; as part of a new Global Administrative Operational Model, setting up Regional Programme and Support Units (RPSUs) providing defined front office services to the respective regions; and possibly staffing the RPSUs with a HR Business Partner function by utilizing part of the savings from the SSC consolidation for the benefit better human resource management in Accra, Bangkok, Cairo and Santiago.



## 1. Background and Project approach

### 1.1 Background

15. Following approval by the Conference in 2006, in 2007 FAO established a Shared Services Centre (SSC) comprising a centre in Budapest with two hubs in Bangkok and Santiago and a coordination unit in Rome. The structure became operational in January 2008.

16. A guiding principle of the SSC was to move a number of administrative transactions to lower cost locations. Transactions which were considered to be high in volume, routine in nature, of low strategic importance and which were location independent were to be concentrated in a restricted number of specialised hubs. Transactions included Human Resources servicing, travel advances and expense claims, accounting journals, letters of agreement, invoice processing, clerical procurement, inventory processes and related helpdesk activities. Before the establishment of the SSC, Human Resource and Travel services were provided by the MSS (Management Support Service) at headquarters and by each Regional Office MSU (Management Support Unit).

17. As originally planned FAO performed a first review of the SSC in 2009, aimed at optimizing staffing levels in the Budapest Centre, reporting lines and governance as well as identifying possible further improvements. The main considerations and recommendations included the confirmation of the staffing of the centre in Budapest, the closure of the SSC coordination unit in Rome, and the transfer of the SSC Chief post to Budapest. Management best-practices and an initial review of relative productivity levels also justified further research to assess the feasibility of centralizing all SSC operations to the Budapest Centre.

18. Following the paper presented to the 2010 Regional Conferences on the possibility of consolidating all SSC functions in a global Centre, and pursuant to recommendations made by the Regional Conferences, in June 2010 FAO decided proceeded with an in-depth review of the functions of the SSC.

### 1.2 Scope of Review

19. The review focuses on an assessment of the operations taking place at the SSC and of other administrative activities in the two regional offices in the areas listed below. The assessment takes into consideration the volume of transactions processed, the effort required to complete these transactions and client feedback on the quality of the services offered to clients in the RO Technical and Operational teams and in Decentralized Offices.

20. New and updated processes are also expected at the Regional Offices with the implementation of IPSAS in particular in the areas of Property Plant & Equipment (PP&E), Receiving and Inventory as well as the potential support required for the deployment of the new Field Accounting System. Where possible, the impact on the functions of the Regional Offices has been analyzed, however, it is noted that further analysis of the resource implications in relation to the IPSAS implementation will be required.



21. The impact of the decentralization of the Office of Support to Decentralization (OSD) activities to ROs was not in the original scope of the report, however it is clear that the OSD delegated functions will also have an impact on administrative services and HR in all regions, and will therefore have to be taken into account.

22. Specifically, the review included:

a. Human Resources:

- Servicing (staff and non-staff)
- Recruitment
- Position management
- Staff Development
- Performance Management (PEMS)
- Advice and counseling to Line Managers
- Promulgation and implementation of new HR policies
- Support on legal matters

b. Travel:

- Advance payment
- Travel plans and Bookings
- TAs
- TECs
- Ticket authorization
- Ticket refunds

c. Finance and Budget:

- Budget planning and monitoring
- Treasury
- Account payables and payments

d. Other administrative processes:

- Procurement
- Protocol
- Building maintenance and services
- FAOR network

23. The above HR and Travel services are distributed as follows in the Bangkok and Santiago hubs:

Baseline 2010 - SSC HUBs	PWB		of which vacant	
	P	G	P	G
<b>SSC - HUB Bangkok</b>	<b>1</b>	<b>12</b>		
HR	1	8		
Travel		4		2
<b>SSC - HUB Santiago</b>	<b>1</b>	<b>10</b>		
HR	1	7		
Travel		3		
<b>Total SSC</b>	<b>2</b>	<b>22</b>	<b>0</b>	<b>2</b>

Figure 1 - As-Is SSC hubs staffing resources

### 1.3 Objectives

24. This initiative is linked to the ongoing efforts of the Organization to generate recurring efficiency savings as required by the 2009 Conference Resolution on the 2010-11 budget. Based on advice provided by two major consulting firms, a high-level proposal was in fact first included in 2009 in the Programme of Work and Budget 2010-2011. The initial reaction given by the Finance Committee, as noted in paragraph 70 of document CL 137/4 stated: “the Committee welcomed the satisfactory progress on the SSC and supported efforts by Management to seek further improvements in efficiency and effectiveness of these functions”. Following the paper presented to the 2010 Regional Conferences on the possibility of consolidating all SSC functions in a global Centre, and pursuant to recommendations made by the Regional Conferences, in June 2010 FAO decided to proceed with an in-depth review of the functions of the SSC.

25. In light of the above, the review’s objectives are:

- To improve the efficiency of the processes and transactions carried out by the SSC;
- To reduce operational and transactional costs for the organization.
- To improve, or as a minimum maintain, quality of the transactions carried out by the SSC and identify other administrative areas for qualitative improvements;
- To define an operating model which will aid in streamlining and/or automating a number of processes that are deemed costly and time consuming.
- To review organizational and governance implications of the new SSC model
- To develop guidelines for the implementation of the recommendations included in the report, including the re-allocation of existing positions if required.

### 1.4 Approach

26. The SSC Organizational review has been conducted according to a phased approach, as illustrated in the following picture:



Figure 2 - SSC Organizational Review Approach



- **Phase 1** - Starting in July 2010, an in-depth analysis of the As-Is operating model was carried out (volumes of transactions, elapsed times, employee effort and time allocation). The processes carried out by each of the two SSC hubs were mapped in detail. The tools used at the different hubs (technology and software) were also compared. A new Global Administrative Operating Model (GAOM) was developed. The feasibility of automating various processes which are currently carried out manually was evaluated.
  
- **Phase 2** - A review team visited the Santiago and Bangkok Regional Offices in August and September 2010. During the missions, meetings were held with RO management from all areas of administration (technical and operations officers, FAOR network officer, RO auditor and ECTAD project staff in Bangkok) and with selected FAORs and selected SROs through teleconferences and videoconferences.
  
- **Phase 3** - According to the assessment results, findings and suggestions, a number of key areas for improvement were detected. Detailed recommendations were provided aimed at defining the new SSC organizational model.
  
- **Phase 4** -The analysis was extended to the other Regional Offices. In particular the review team visited the RO in Accra and Cairo, who had been serviced by SSC Budapest since 2008, with a view to confirming the recommendations formulated in Phase 3 and identifying any additional action. REU experience was also considered when formulating the final recommendations.

27. A range of both qualitative and quantitative sources were utilised in order to consolidate the baseline and business case:

- Numerous meetings were held with a number of CS senior officers at HQ from HR, Finance, Travel and Procurement.
- Meetings with OSD members were held to define the changing responsibilities of ROs.
- Videoconferences were held with senior members from the SSC hubs and ROs in Budapest, Bangkok and Santiago.
- Two missions, attended by the same senior members from HQ and an Accenture representative, were deployed to Santiago and Bangkok.
- Data regarding volumes, effort and cost of transactions was obtained thanks to a close collaboration with both the CS department at HQ and with respective departments at ROs.
- Raw data reports were extracted using the Atlas and Oracle HRMS software at HQ.
- Internal reports (such as back to office reports) from recent missions to the ROs were consulted in order to gain a better understanding of current practices which were consequently compared to existing procedures.

28. The team which produced the final report was led by FAO and composed by both Accenture consultants and FAO Officers with knowledge and experience in the areas under review. The result is a collaborative effort between FAO Officers and Accenture, where FAO staff provided their valuable input, and Accenture provided their contextual knowledge and established expertise in formalising the output of the report. The development of all



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recommendations and guidelines provided was fully endorsed by Accenture. The FAO Officers who participated in the development of the report are listed below:

- Chief of SSC
- Chief of CSHE Organizational Design Branch
- Finance Officer
- Travel Contract Officer, former Head of Travel

## **2. Baseline – SSC Hubs and Regional Offices**

### **2.1 SSC and RO List of Services**

#### **SSC List of services**

29. The Santiago and Bangkok SSC hubs currently carry out a number of Human Resources and Travel functions for all offices in their respective regions. In both hubs the services offered go beyond activities which were originally envisaged when the SSC was established: for example the Human Resource SSC staff assists in recruitment and staff development, and the Travel groups perform protocol functions.

#### **Other administrative processes provided at regional level**

30. The Regional Offices host a range of services which include accounts payable and budget coordination. The review highlighted that there seems to be no clear distinction between the SSC hub responsibilities and RO responsibilities. There are numerous reasons that explain the current situation: first, when the Regional MSU HR and Travel Groups were disbanded, there was no review of duties and responsibilities of the staff who joined the SSC, who de facto continued with the same duties as before; second, the process workflows remained unchanged and did not benefit from the streamlining and efficiency brought about by the SSC model in Headquarters and Budapest; and third, the central SSC Budapest remained quite detached from the RO hubs, having a weak technical reporting line over the staff in the hubs, who remained largely under the functional authority of the RO ADG.

31. The diagram below outlines the functions which are currently allocated to the ROs and SSC hubs in question, including new responsibilities delegated from OSD. A detailed list of services is available upon request.

SSC		FINANCE	OTHER ADMIN.	
SERVICES	<b>HR</b> <ul style="list-style-type: none"> <li>• Appointment and Extension of candidates</li> <li>• Help desk</li> <li>• Leave records</li> <li>• Approval of TA/TEC/PA</li> <li>• Hire and re-hire of CST-PSA casual labour</li> <li>• Process extensions</li> <li>• NSHR servicing</li> <li>• SM help desk</li> <li>• Performance mgt.</li> <li>• Training</li> <li>• Medical</li> <li>• Policy and legal advice</li> <li>• Language exams</li> <li>• Staff development</li> <li>• Recruitment</li> <li>• Capacity building</li> </ul>	<b>TRAVEL</b> <ul style="list-style-type: none"> <li>• Raise and approval of TA payments</li> <li>• Ticket authorizations and refunds</li> <li>• TECs</li> <li>• Protocol</li> <li>• Visa processing</li> <li>• Liaison with travel agencies and airlines</li> <li>• Liaison with other UN agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Invoice Processing</li> <li>• Pre-payments</li> <li>• Payments Processing</li> <li>• Routine Accounting Functions</li> <li>• Budget Planning and Monitoring</li> <li>• High-level consultation</li> <li>• Treasury</li> <li>• Letters of Agreement</li> <li>• Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Admin. Support Services</li> <li>• Internal Services</li> <li>• Registry and Telefax</li> <li>• Residual IT services</li> <li>• Procurement within delegated authority</li> <li>• Security matters</li> </ul>
	STAFF	<p><b>Santiago</b></p> <ul style="list-style-type: none"> <li>• 1x P4 (Ms. Neto)</li> <li>• 9x GS*</li> </ul> <p><b>Bangkok</b></p> <ul style="list-style-type: none"> <li>• 1x P4 (Mr. Nakata)</li> <li>• 11x GS</li> </ul>	<p><b>Santiago</b></p> <ul style="list-style-type: none"> <li>• 1x P4 (Mr. Ginsburg)</li> <li>• 5x GS</li> <li>• 1x P5 (vacant)</li> <li>• 17x GS</li> </ul> <p><b>Bangkok</b></p> <ul style="list-style-type: none"> <li>• 1x P4 (Mr. Bontje)</li> <li>• 9x GS</li> <li>• 1x P5 (Mr. Quereshi)</li> <li>• 1x P4 (Mr. Kimpara)</li> <li>• 27x GS</li> </ul>	

(\*) One GS is currently carrying out administrative functions and not SSC functions

**Figure 3 – RLC and RAP list of services and staff**

## 2.2 Demand and quality analysis

32. **Demand Analysis:** a detailed map of demand for operations was drawn, taking into consideration the following factors:

- Volume of demand and
- Location of clients and service providers, with a particular view as to determine the significance of time zones to satisfy requests originating from all FAO locations.

33. The table below illustrates the number of personnel (SM) serviced by type of service and by SSC hub. Although Finance services are not provided by the SSC hub in Santiago and Bangkok, the RO MSU staff has been used in the benchmarking:



Location	Number of SM serviced	Service Area	Number of FTEs available	SM serviced per FTE
Santiago	260	HR	7	1 : 37
		Travel	2	1 : 130
		Finance	3	1 : 87
Bangkok	308	HR	8	1 : 39
		Travel	4	1 : 77
		Finance	6	1 : 51
Budapest	3249	HR	50	1 : 65
		Travel	12	1 : 271
		Finance	18	1 : 181

Figure 4 – Number of SM serviced per FTE

34. Based on volumetric data as summarized above, the SSC centre is largely more productive than the hubs, confirming that economies of scale have actually been achieved in Budapest as originally expected.

35. **Quality analysis** – in 2009 the SSC conducted a staff satisfaction survey, which results are summarized below.

The Percentage refers to <i>very satisfied, satisfied</i> and <i>somewhat satisfied</i> score	Bangkok- Thailand	Budapest- Hungary	Santiago- Chile	Average Rate (un- weighted*)	Average Rate (weighted*)
	Time required to respond/process requests	91,9%	72,7%	89,1%	84,6%
Politeness in dealings	94,8%	90,2%	97,8%	94,3%	91,7%
Fairness and consistency	84,4%	71,4%	71,7%	75,8%	74,2%
Individualized attention to your needs	88,1%	75,8%	87,0%	83,6%	79,3%
Competence of the staff	85,9%	75,2%	73,9%	78,3%	77,4%
Accuracy in processing requests	87,4%	74,3%	82,6%	81,4%	77,7%
Willingness to find solutions to your problems	88,1%	72,7%	87,0%	82,6%	77,1%
Accountability/Responsibility for mistakes	83,0%	57,0%	80,4%	73,5%	64,3%
Clarity of information/use of terms that are easy to understand	89,6%	74,9%	87,0%	83,8%	79,0%
<b>Average rate</b>	<b>88,1%</b>	<b>73,8%</b>	<b>84,1%</b>	<b>82,0%</b>	<b>77,6%</b>

(\*) the weight number is against the number of response

Figure 5 – Results from 2009 SSC Client Survey

36. As it can be seen the overall level of satisfaction is very high at 82%. Industry benchmarks indicate 70% is a good target. The Budapest centre obtained the lowest result (73.8%), but exceeded the industry benchmark despite the fact that at the time of the survey (late 2009) it had only been in operation for less than two years.

37. The good and improving arrangements of the SSC Budapest were also commended by the informal visit of some Finance Committee members in September 2008. The lower scoring of SSC Budapest in 2009 can be attributed to the limited experience of the staff. It is improving rapidly as the staff become more knowledgeable, as confirmed by offices serviced by Budapest in the more recent SSC review missions to Accra and Cairo. Similarly, SSC Budapest good performance was remarked in the Internal Audit report of June 2010, along with an overall positive evaluation of the Service Level Agreements established by SSC Budapest to transparently manage its interaction with clients worldwide.



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38. An important factor explaining the higher scoring in the hubs is the perception by clients that they can count on ‘personalized’ support, at the time it is needed, and in Latin America, also in the Spanish language that clients commonly use.

39. The interviews conducted with FAORs and SROs (Samoa, Panama and Barbados) being serviced by RAP and RLC confirmed a high degree of customer satisfaction for the administrative services provided by the SSC hubs, which is consistent with the above analysis of the survey data.

40. It should however be noted that with regard to the speed of services offered, the vast majority of transactions, apart from helpdesk, have a turnaround time of more than 24 hours, thus making time zone differences less relevant. In fact, time zone differences between a region and a servicing centre can actually be an advantage because of the capacity this creates for the servicing centre to provide overnight services, e.g. a request submitted at the end of the working day in Asia can be completed during the day by Budapest and be ready at the start of the next working day in Asia. In addition, the Emergency Programme (TCE), which is normally considered the most demanding area for transaction processing services, has been serviced by SSC Budapest worldwide since late 2008 and has not reported issues related to timezone differences. Timezone alignment is more relevant when advisory services are provided, which is not a function of the SSC.

### **3. Findings and Recommendations**

#### **3.1 Proposed Global Administrative Operating Model**

41. The review highlighted the major areas for improvement which are summarised below (additional details can be provided upon request):

42. Economies of scale: Having staff performing similar transactions in three locations means that expertise and knowledge is dispersed rather than shared effectively. Opportunities for pooling resources and for more effective use of skills are consequently not realized. It should be noted that all similar organisations (World Bank, UNDP, UNHCR, WHO and WFP) have single centre structures.

43. Productivity and streamlining issues: Workflow analyses highlighted a number of operational bottlenecks, including lengthy and cumbersome paper-based processes in the hubs that reduced the overall productivity of the human resource and travel functions and offered opportunities for streamlining.

44. Standardization issues: Processes are not implemented in a standardized fashion, certain processes require multiple, unnecessary paper-based approvals, policies are applied in an inconsistent manner by the locations, overall coordination of activities and communication between Headquarters, the centre in Budapest and the hubs in the Regional Offices is insufficient. This situation is mainly due to the fact that when the Budapest centre was established in 2008, procedures were all revised to exploit the opportunities provided by the HRMS and the new electronic SSC document processing system, moving completely away from paper based transactions and approvals. The new procedures were not

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consistently communicated, deployed and implemented in the hubs in Bangkok and Santiago.

45. Information technology issues: The Regional Offices were found to be hampered by inadequate functionality and limited access to information systems, which exacerbates administrative problems and increases resource requirements.

46. Time Allocation: Currently, 20%-25% of SSC Santiago and Bangkok staff time is allocated to non-SSC activities, while the remaining 75%-80% is allocated to transactional activities (transactional activities are those identified as high in volume, routine in nature, based on documented rules and standard procedures, of low strategic importance and which are location independent).

47. Decentralization of OSD and TCP activities: with the move to the Regional Offices of the monitoring of the FAOR network, and of the Technical Cooperation Programme, new operational and administrative needs have been identified. For example, with the increased delegation to Country Offices of issuing local contracts up to 11 months, FAO Representations often fail to send a copy of contracts to the SSC for the HR records and assignments to be entered in the system. As a result, it is estimated that at least 500 NSHR in the Latin America and the Caribbean region and 1,000 in the Asia and Pacific region are not recorded in the FAO corporate HRMS.

48. New IPSAS processes: To attain IPSAS compliance, new and updated processes and procedures will be required, specifically in the areas of Property, Plant & Equipment, Receiving and Inventory Management. Currently, Regional Offices utilize an assortment of shadow systems to manage these processes to the extent that they exist.

49. Field system support: The implementation of a new Field Accounting System for use in all country offices will also have an impact on the organization, in particular with the future support and interaction with Country Offices that will be required. It should be noted that the expected impacts and workloads to be introduced by the IPSAS project will be reviewed in detail during a separate review.

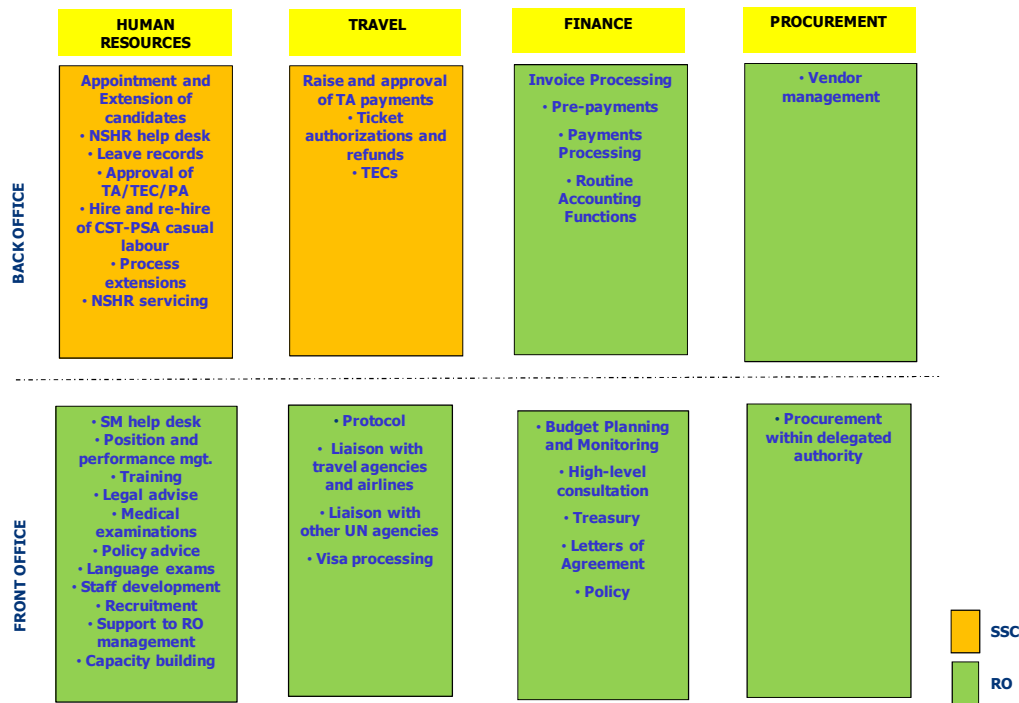
50. To address the above areas for improvement including for achieving savings and efficiency, a global organizational model needs to be reviewed in a holistic manner, in order to improve the capacity to implement (on the client side) and to deliver (on the supplier side) administrative services.

51. Over the last sixteen years various models have been adopted, often in concomitance with other organisational initiatives and not always in a strictly coordinated manner.

52. The establishment of a Shared Services Centre has been a positive move which was based on industry best practices. Its implementation has been hampered by some time constraints, but has overall been a success. The SSC is able to leverage on consolidated expertise, streamlined processes and economies of scales. The off-shoring of activities to a centre in Budapest also allowed a reduction of posts versus the previous staffing levels in Rome, Cairo and Accra, and moved these transactional operations to a lower cost location.

53. With regards to the interaction between end-clients and the SSC, divisions at HQ have developed ‘transaction initiator’ roles which can be described as ‘specialised clerks’, who initiate transactions on system and provide support to other staff on administrative procedures. This model could be replicated in ROs where transaction initiation could be performed by staff in technical or operational teams, eliminating paper approvals and the need for staff in central administration to re-enter transactions, de-facto duplicating the effort.

54. The review has also highlighted that two very distinct categories of administrative processes exist: the typical SSC processes which can be considered as ‘back-office’ processes, and a whole range of ‘front-office’ processes which are less predictable, require direct interaction with clients, specialised or expert knowledge and language skills. These are depicted in the figure below.



Note: Activities identified for off-shoring (i.e. back-office activities) are typically routine in nature, do not require face to face contact, are supported by the ERP system and/or email (i.e. can be performed remotely), can be documented in procedural manuals and instructions and can be ruled and measured by means of Service Level Agreements.

**Figure 6 – Split between Front-office and Back-office Activities**

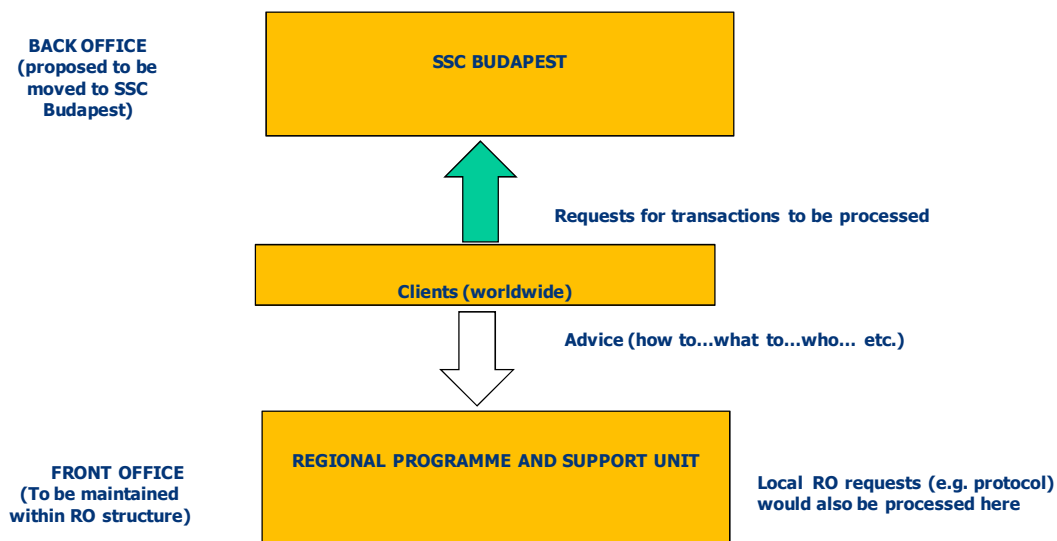
55. The findings above were taken into consideration while developing a rationale for the new Global Administrative Operating Model. A framework for the development of the new model was established according to the following guidelines:

- Standardization of processes and procedures - By implementing a series of streamlined workflows for all back-office activities, which can be replicated globally.

- Client focus – With a view to further increase the already high degree of client satisfaction, by guaranteeing high quality in the services provided.
- Front-office vs. Back-office – Centralizing back-office activities while retaining a number of front-office activities within the RO structure. Front-office activities were identified as those which require local expertise, language skills and where clients require face-to-face communication. The model also takes into consideration recent OSD delegation of responsibilities to ROs and the current IPSAS implementation project. Back-office activities are high in volume, routine in nature, based on agreed and documented rules and standard procedures, individually of low strategic importance, and location independent<sup>3</sup>.
- linguistic barriers which may arise from the centralization of activities be avoided.
- Access to IT infrastructure – Ensuring that activities are centralized to a location where a sound IT infrastructure and connectivity are in place.

56. The new model foresees the following structures and workflows:

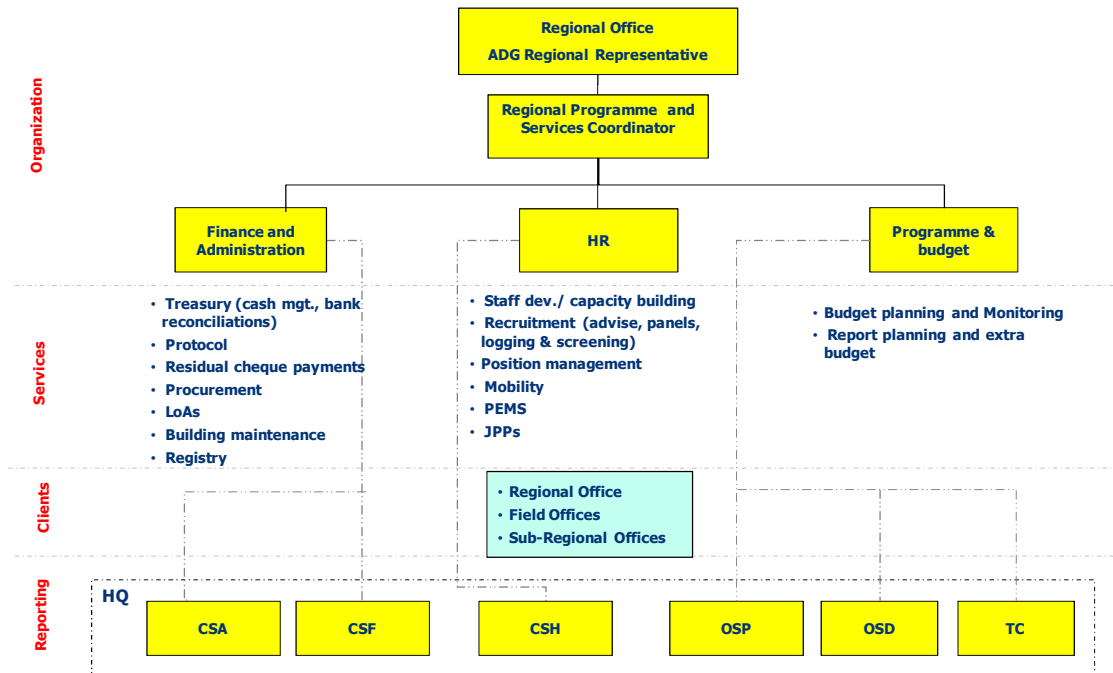
- All back-office transaction processing work is moved to a single centre to achieve standardization and economies of scale, and facilitating client focus by providing a single point of contact. Clients, wherever located, are serviced from the Centre.
- Front-office functions are re-organised and streamlined in the Regional Office as part of a new unit, the Regional Programme and Support Unit, which provides all services of a local nature (e.g. local procurement, protocol, building maintenance, training, recruitment etc.). The unit also has advisory functions to clients in the region, within the region timezone, and in the preferred language (these can be assimilated to advisory services provided by CS divisions to HQ clients). The RPSU would report to the Regional Office



<sup>3</sup> Original definition as per CL 131/18 Add. 1

**Figure 7 - Proposed Global Administrative Operating Model Organization**

57. The figure below illustrates more in detail the front-office model in the Regional Office, where the newly created RPSU would report to the Regional Office but have functional reporting lines to HQ divisions:



Note: Support to conferences & meetings and publications activities were not included in the scope of the report. However, they could be incorporated into the Regional Programme and Support office to mirror the structure of the Corporate Services (CS) Department in HQ.

**Figure 8 - Proposed Front Office Model in the Regional Office**

58. The model would function most efficiently as follows:

- Back-office activities should be undertaken from a single centre due to the nature of such work, while front-office and transaction initiation activities are to be retained in the Regional Office due primarily to the need for direct interaction with clients.
- Transaction initiation functions are performed by initiators within the technical and operational teams in Regional Offices.
- The Regional front-office would become the first port of call for queries in the region, to provide proactive front-office advice and to better channel the nature of queries addressed to SSC Budapest.
- A newly created Regional Programme Unit would provide the new framework within which the Regional Office Administrative Units operate, thus reducing duplication of work and functions and aiding in the streamlining of processes.

59. Finally the model foresees the concentration of back-office functions in a single SSC centre: at present, the SSC does not cover a range of services that could be considered within



its scope; therefore the SSC should continue to expand its scope in order to fully exploit the breadth of activities that can be defined as “back office” functions. Processes that could be off-shored can still be found in Procurement, Human Resources and Finance. Examples include social security, training administration, recruitment support (partially implemented already), some post management transactions, non-HQ invoice processing, accounting, pre-payments and payments (excluding the Treasury function). In the longer term, the Organization could potentially benefit from further off-shoring a number of activities both from an economic and operational perspective.

### 3.2 Benefits of new Operating Model

60. A number of immediate benefits would emerge from the new GAOM. These include:
- The elimination of fragmented services.
  - Clarification of roles and responsibilities.
  - Increased standardization of processes, which implies better controls and simplified procedures.
  - Reduction and better use of administrative resources, including improved management information.
  - Reduced points of contact for end clients (Budget Holders, staff and non-staff).
  - Facilitated introduction of IPSAS and the new Field Accounting System.
  - Strengthened capacity of ROs to provide specialized services and support to the whole Region thanks to the presence of specialized staff with clearly defined job descriptions and responsibilities.

### 3.3 Location in Budapest of a global SSC

61. The review revisited the original analysis of the location where a Shared Services centre was to be created with a view to validating the criteria, assumptions and projections made at the time, in particular of the financial developments. Had some of the conclusions been completely incorrect there would have been grounds to consider a full relocation of the global centre.

62. The review found that:
- In terms of IT infrastructure, Budapest has confirmed to be a reliable location. The link with HQ has been recently upgraded to 10Mbits vs the original 2Mbits, with a marginal increase of the cost. No interruptions have ever been experienced since the commencement of operations
  - Timezone considerations are not very relevant given the average turnaround time in excess of 24 hours. The organization may wish to consider extending the hours in Budapest by establishing two shifts, like other UN SSCs already do, in order to extend the overlap with the working hours in Asia and Latin America
  - Working hours and working week are same as Rome and provide the widest coverage possible from one single location.

63. From a financial perspective, a considerable one-time investment of about USD 1 million was made in establishing the Budapest office, which now employs more than 100



staff, and this would be required again together with a generous host country agreement should another location be chosen.

64. More importantly, the expected savings (in excess of USD 10 million per biennium) have been achieved, and staff costs have remained extremely competitive in Budapest, and lower than costs in Bangkok and Santiago, despite a salary scale increase which occurred in November 2009. The below table provides the 2010-11 standard cost by grade and the average in the three locations:

	Santiago	Bangkok	Budapest
<b>G7</b>	4,895	6,705	4,027
<b>G6</b>	4,581	4,197	3,799
<b>G5</b>	4,266	3,331	2,784
<b>G4</b>	3,573	2,705	2,445
<b>G3</b>	3,185	2,576	2,216
<b>G2</b>	2,462	1,881	1,643
<i>Average</i>	3,827	3,566	2,819

Figure 9 – Comparison of Monthly GS standard rates

65. It should be added that no evidence was found to suggest that the introduction of the Euro in Hungary is expected to substantially increase salary costs in any way comparable to Italy.

### 3.4 SSC Consolidation in Budapest

66. Due to the significant structural and organizational changes required by the new GAOM, it is desirable to start with an initial consolidation of SSC activities to Budapest, where all processes can be standardized, and economies of scales can be realized. The consolidation of SSC activities assumes that transactional Human Resources and Travel functions be off-shored to SSC Budapest with the closing of all remaining SSC hubs (as is the current operating model in RNE and RAF).

67. Activities identified for off-shoring are typically routine in nature, do not require face to face contact, are supported by the ERP system and/or email (i.e. can be performed remotely), can be documented in procedural manuals and instructions and can be ruled and measured by means of Service Level Agreements. Off-shoring such transaction processing activities in the single Shared Services Centre should not be perceived as centralising control, which indeed remains with clients at their HQ of Decentralised Office location. Off-shoring is not therefore in any way removing authority and accountability from delegated FAO managers and staff. This point was discussed at length with staff in the Regional Offices along with other potential issues related to the transfer of the activities of the Santiago and Bangkok SSC hubs to a global centre in Budapest.

68. It should be recalled that two Regional Offices (Accra and Cairo) and the emergency division (TCE) have been serviced from Budapest since 2008, with an increasing degree of satisfaction. One lesson learned from the implementation of the Budapest Centre is that processes and procedures at the Regional Office need to be redesigned in light of the transfer of certain processes to the SSC in order to minimise disruption and maintain high quality standards. This was unfortunately not done for Accra and Cairo, as confirmed by





the recent missions of the review team, and it is recommended to be addressed as a matter of priority in all Regional Offices.

69. It should be noted that the Budapest centre services FAORs in the Africa and Near East regions with a dedicated Field Support Unit who initiate in Atlas and Oracle transactions on behalf of FAORs without access to systems, raising Travel Authorisations, processing NSHR contracts and Purchase Orders on their behalf (functions previously discharged by Accra and Cairo staff). This service would be extended to cover Latin America and Asia. Language is not expected to be an issue, as SSC in Budapest is already servicing TCE worldwide. Staff to be recruited in Budapest will be required to have knowledge of Spanish.

70. The main benefit of the new model is that it would enable the Organization to significantly reduce the resources required to carry out SSC activities by centralizing activities to Budapest. This consolidation would enable the standardization of processes by leveraging on established procedures and economies of scale.

#### *Proposed resource levels*

71. A reasonable productivity target should be set, while taking into account the following considerations:

- Access to a sound IT infrastructure such as that present in Budapest, which should speed up the processing of transactions.
- New staff learning curve, which could mean that initially less transactions are being processed compared to the full processing potential.
- Other duties currently carried out by SSC hubs in Bangkok and Santiago which are not back office functions.

### **HR Staffing levels rationale**

72. The proposed HR staffing levels have been based on the number of personnel serviced in 2009 by each location and each staff member in the location. The number of staff in the hubs has been reduced to take into account the other services provided (please refer to figure 1 for full staffing levels)

Location	Total SM serviced		Total FTEs available		SM serviced per FTE
SSC Budapest	3249	85%	50,00	75%	1 : 65
Bangkok hub	308	8%	6,30	13%	1 : 49
Santiago hub	260	7%	5,60	12%	1 : 46
Total	<b>3817</b>		<b>61,9</b>		

**Figure 10 - HR transactions productivity**

73. The above table highlights the fact that on average, SSC Budapest is about 30% more productive than the other two hubs (one HR staff in Budapest services 65 Staff Members while one HR staff in Santiago services 46). The marked difference in productivity is due to a number of factors. For example, Bangkok and Santiago inevitably have more time between one request and the next, because proportionally they service less SM. This delta is also due

to the fact that Santiago and Bangkok do not benefit from the economies of scale, workflows and tools currently in place in Budapest.

74. SSC Budapest has better, established workflows and procedures in place (face-to-face interaction is also limited), also with regards to the help desk function. It is therefore anticipated that SSC Budapest could fulfill the additional HR workload from Bangkok and Santiago SSCs with 30% less staff resources than those currently required in Santiago and Bangkok .

75. Finally, in consideration of the other HR functions currently performed by the SSC hub staff it is also proposed to establish a new HR Associate position (GS senior) in Santiago and Bangkok to continue to provide staff development, recruitment and advisory services in the Regional Office

### Travel Staffing levels Rationale

76. 2009 annual services staff numbers were utilized and as for HR the number of FTEs in the hubs reduced to take into account the additional functions discharged.

Location	Total SM serviced		Total FTEs available		SM serviced per FTE
SSC Budapest	3249	85%	12	76%	1 : 271
Bangkok hub	308	8%	2	13%	1 : 154
Santiago hub	260	7%	1,7	11%	1 : 153
Total	3817		15,7		

**Figure 11 – Travel transactions Productivity**

77. The above table highlights the fact that the processing of travel transactions is significantly more efficient in Budapest centre than in the two hubs (one Travel staff in Budapest services 271 Staff Members, while a Travel staff in Santiago services 153 Staff Members). The main reasons for this difference are the cumbersome process workflows currently in place at Santiago and Bangkok which require multiple paper-based approvals and shadow systems (further details available upon request). Another reason may be the extra time between one request and the next in both Bangkok and Santiago, since there are proportionately less Staff Members being serviced.

78. If Bangkok and Santiago SSC travel transaction processing was off-shored to Budapest, the additional staff required in Budapest to fulfill the additional workload would be one-third of the total number currently required in Bangkok and Santiago. However, due to the learning curve which the newly hired staff in Budapest could experience, it would be advisable to introduce an extra GS staff to initially aid in transaction processing. Once the new staff learning curve and potential language barriers are solved, a further assessment of operations could suggest GS travel staff in Budapest to be reduced by 1 FTE.

### *Estimated annual costs and savings*



79. The table below summarizes the current staffing levels and associated costs, and the new proposed staffing levels, costs and savings, using 2009 staff average actual costs in each location. The proposal confirms expected annual savings in the range of almost USD 1 million per year as indicated in the first 2009 SSC review, or USD 1.94 million per biennium.

Baseline 2010 - SSC HUBs	PWB		of which vacant		Cost (Actual Cost 2009)
	P	G	P	G	
<b>SSC - HUB Bangkok</b>	<b>1</b>	<b>12</b>			<b>\$ 837,840</b>
HR	1	8			\$ 636,828
Travel		4		2	\$ 201,012
<b>SSC - HUB Santiago</b>	<b>1</b>	<b>10</b>			<b>\$ 729,108</b>
HR	1	7			\$ 569,208
Travel		3			\$ 159,900
<b>Total SSC</b>	<b>2</b>	<b>22</b>	<b>0</b>	<b>2</b>	<b>\$ 1,566,948</b>

2012 proposal	PWB		Cost (Actual Cost 2009)
	P	G	
<b>RO - Bangkok</b>	<b>0</b>	<b>1</b>	<b>\$ 67,848</b>
HR		1	\$ 67,848
<b>RO - Santiago</b>	<b>0</b>	<b>1</b>	<b>\$ 76,620</b>
HR		1	\$ 76,620
<b>SSC Budapest (resource increase)</b>	<b>1</b>	<b>13</b>	<b>\$ 449,352</b>
HR	1	9	\$ 357,480
Travel		4	\$ 91,872
<b>Total</b>	<b>1</b>	<b>15</b>	<b>\$ 593,820</b>

<b>Potential cost savings recurring (per annum)</b>	<b>\$ 973,128</b>
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Figure 12a - Off-shoring of all SSC activities, staffing resources and cost at 2009 average actual rates

80. According to current estimates and figures from the 2009 SSC review, the new GAOM implies one-off transition costs in the first year of about \$200k required to off-shore activities to Budapest. Expenses would include communication to clients, recruitment and the training of the new staff hired in Budapest. There will be an initial learning curve in Budapest as newly hired staff gain specialized knowledge of transactions. By the second year it is expected that new staff will have completed their learning curve, thus improving quality and quantity in the services provided.

81. The next table shows the annual staff cost savings calculated using staff standard cost as they would be reflected for 2012-13 budgeting purposes in the PWB (before cost increases). It should be noted that standard costs for GS staff in Latin America and Asia are lower in PWB 2010-2011 than they were in PWB 2008-2009, due to a new grouping methodology. 2010-11 standard rates are established by region except for HQ and Liaison Offices, whereas they were established by duty station in 2008-09, except for FAORs that were all grouped together. Thus, the 2010-11 standard rates for Asia and Latin America represent the weighted average costs of all locations including Sub-/Regional offices and



FAORs, while 2008-09 rates for Bangkok and Santiago represented the average costs of these locations only. The average costs of FAORs and Sub-regional offices were lower than those in Bangkok and Santiago in 2008-09. The 2010-11 standard rates for GS in Budapest are also lower than in 2008-09, due to the devaluation of HUF against EUR. The new methodology for standard rates was introduced to improve/facilitate budgetary planning and management within the same region. However, the new methodology provides a less accurate reflection of the economic cost of the proposed consolidation of the hubs than the methodology summarized in figure 12a. The annual savings calculated at PWB 2010-11 standard cost are some USD 700,000 per annum, circa USD 300k lower than those presented in the 2009 SSC review, as shown in the tables below. The net biennial savings would therefore be USD 1.4 million if calculated using regional standard rates.

Baseline 2010 - SSC HUBs	PWB		of which vacant		Cost (Std costs 2010-2011)
	P	G	P	G	
<b>SSC - HUB Bangkok</b>	<b>1</b>	<b>12</b>			<b>\$ 694,620</b>
HR	1	8			\$ 540,912
Travel		4		2	\$ 153,708
<b>SSC - HUB Santiago</b>	<b>1</b>	<b>10</b>			<b>\$ 645,480</b>
HR	1	7			\$ 508,536
Travel		3			\$ 136,944
<b>Total SSC</b>	<b>2</b>	<b>22</b>	<b>0</b>	<b>2</b>	<b>\$ 1,340,100</b>

2012 proposal	PWB		Cost (Std costs 2010-2011)
	P	G	
<b>RO - Bangkok</b>	<b>0</b>	<b>1</b>	<b>\$ 50,364</b>
HR		1	\$ 50,364
Travel (protocol, visa...)			\$ -
<b>RO - Santiago</b>	<b>0</b>	<b>1</b>	<b>\$ 54,972</b>
HR		1	\$ 54,972
Travel (protocol, visa...)			\$ -
<b>SSC Budapest (resource increase)</b>	<b>1</b>	<b>13</b>	<b>\$ 541,524</b>
HR	1	9	\$ 429,660
Travel		4	\$ 111,864
<b>Total</b>	<b>1</b>	<b>15</b>	<b>\$ 646,860</b>

<b>Potential cost savings recurring (per annum)</b>	<b>\$ 693,240</b>
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Figure 12b - Off-shoring of all SSC activities, staffing resources and cost at standard rates

82. Additional recommendations on the consolidation are summarised below.

- **Time zone requirements** - the proposal is to extend the Budapest office working hours, as already done in two UN SSCs (Copenhagen, UNDP, and Kuala Lumpur, WHO). Working hours would be from 6am to 8pm CET (two shifts). This would allow a partial overlapping of the working day in both Bangkok (from noon) and Santiago (until 2 pm). It should also be noted that average turnaround time for typical SSC transactions is 1 day, thus making time zone considerations less relevant. However, for urgent



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requirements emergency procedures would be used and transactions would be recorded and approved post factum. A particular concern exists for SAPA (Samoa) who are 10 hours behind CET and who would never overlap with Budapest. This is a situation where the front-office function at Regional level could help in dealing with SAPA and acting as an intermediary with SSC Budapest. In case of need for direct interaction SAPA-Budapest there would be extra costs in staff overtime and telephone charges. It should also be noted however that time differences may work positively as a service request sent from Asia at the end of the day could be fulfilled by Budapest in time for the start of the next working day i.e. faster than a service provided in the same office.

- **Language barriers** – This is particularly relevant with regards to the ability of the SSC staff in Budapest to interact with staff in Spanish, which is the working language in Latin American offices. It should be noted that the Budapest office is already dealing with Francophone Africa, and that three native Spanish speakers are already working in Budapest. Since language skills are available in Hungary, selected staff (to be recruited) will be required to have working level Spanish and English, particularly the officer and the senior GS staff.
- **Provision of HR services at the RO:** in recognition of the fact that the SSC hubs provide HR services which are not typically SSC activities, it is recommended to include one HR Associate post for each office. The ROs in Bangkok and Santiago may consider one or two additional GS positions, depending on the size of the office, in order to help with local front-office activities.
- **Impact on the SSC staff in Santiago and Bangkok:** This proposal would affect 24 staff members whose posts would be abolished. Staff issues will be handled in the most socially responsible way, specifically as was also the case when more than 60 positions were abolished in Rome, Cairo and Accra in 2008 when SSC Budapest was established. To this end, an early decision would allow appropriate lead time to plan and mitigate the social impact of the abolition of the posts.

#### 4. Implementation roadmap

83. Following approval by the Conference in 2006, in 2007 FAO established the Shared Services Centre (SSC) comprising a centre in Budapest with two hubs in Bangkok and Santiago and a coordination unit in Rome. The structure became operational in January 2008 and offshoring from Rome proceeded in a phased manner throughout 2009. An SSC review took place in 2009 and as a consequence, the Rome-based SSC Coordination Unit was closed in January 2010, and the Chief post moved to Budapest.

84. The recommendations of the present in depth review are presented in this report, along with a suggested implementation roadmap, starting from 2011 and gradually implementing the recommended changes in 2012-13 and beyond.

85. This roadmap was developed using external advice on best practices from Accenture with due account of current FAO organizational models, and considering possible process, administrative and organizational improvements.

86. The roadmap foresees a phased approach, since some of the proposed actions will require time to be planned and implemented.

87. The recommendations provided and the new GAOM can be summarized under the following headings:

Process improvements:

- **Approvals and paper-based workflows:** Regional Office procedures should be reviewed with the objective of reducing the number of approvals required to a maximum of two, eliminating the associated paper based workflows.
- **Technology** – The main technological implication regards adequate access by ROs to FAO information systems. For example, access to electronic workflows should be extended to ROs and be taken into consideration during the long-term implementation of IPSAS/FAS, particularly to allow proper recording of financial and NSHR information.
- **Training** – Training should be provided to RO staff members to use the new technology and procedures. There would be a learning curve by which the quality of the services provided would increase over a period of about twelve months.

Organizational structures:

- **Structures** – The consolidation of the two SSC hubs into a single global centre in Budapest and the establishment of the new Regional Programme and Support Unit which represents the main structural change for ROs.
- **Organization and Reporting** – The new Regional Programme and Support Unit in each Regional Office would create new functional reporting lines for the HR, Finance & Administration and Programme & Budget Units, effectively assuming a similar organizational model to that present at HQ.
- **Human Resource Business Partner function:** in light of ever growing HR functions in Regional Offices, the HR Business Partner new role would proactively support the planning and management of the human capital
- **Communication** – The RPSU would act as the focal point for Line Managers in the region, also coordinating between FAORs, SSC Budapest and HQ departments.

Further improvement opportunities

- **Additional process improvements** – procedures and systems should continue to be examined with a view to simplifying and to enhancing automation of administrative processes
- **Additional Structural and Organizational implications** – Should additional activities be identified for off-shoring to the SSC centre in Budapest, the structure and staffing levels of the SSC centre would have to be adjusted accordingly to accommodate additional workload.

88. The above recommendations will need to be carefully sequenced because of their widespread impact and their interdependencies. The proposed approach and timing of their implementation is based on the considerations outlined in the following paragraphs.

89. One of the main expected outcomes of the recommendations is an increased standardization of administrative processes since the differing ROs and SSC hubs operating models demonstrate fragmented operations and duplication of work. Furthermore, due to





the cost of creating effective communication and coordination between the various ROs, there is insufficient sharing of best-practices and operational procedures. The centralization and consequent standardization of a number of high-volume routine operations would improve the efficiency and quality of these operations, thanks to the specialized knowledge and the technologies available at SSC Budapest. The new GAOM will also decrease the cost of these operations, due mainly to the economies of scales which result from the consolidation of operations to a single location, where staff costs are also lower. It is therefore recommended to proceed with the consolidation of the SSC hubs in Budapest in the biennium 2012-13 to achieve savings and qualitative improvements. In light of the fact that the SSC hubs also perform other HR functions, it is also proposed to establish an HR associate (senior GS) position in each RO to continue to provide such HR support.

90. In preparation for the consolidation, and as a way to start improving the workflows in the Regional Offices, it is also proposed to start in 2011 the deployment in ROs of information system functionalities currently not in use but already available in HQ.

91. In the next biennium (medium term) and in the following biennium (long term), starting with the Programme of Work and Budget 2012-13, it is also recommended to implement the Regional Programme Support Unit model in all Regional Offices. Promoting a homogeneous model which is applicable to all ROs will result in clearer job functions and responsibilities, thus ensuring standardization in workflows and administrative processes. It will also promote the sharing of best-practices, since all identified improvements will be applicable to all ROs. It will become particularly efficient if regular communication, video-conferences and meetings are held among the various ROs and HQ and when appropriate with Country Offices. A number of operations which cannot be centralized due to their location-dependent nature (language, culture, etc.) will be carried out at such a local RO front-office, including a strengthened HR function facilitated by the introduction of HR Business Partners. The RPSUs will leverage on their local knowledge to provide high-level, high-quality services such as advisory and policy interpretation, mainly directed to line managers and transaction initiators, who will in turn act as intermediaries between the RPSU and other staff. According to client experience this procedure should solve 30%-50% of client queries.

92. Based on the above, the timing of the implementation of the recommendations would be as follows:

- In 2011, plan and prepare for the consolidation in a global centre in Budapest of HR and Travel back-office functions
- in 2011, train regional transaction initiators and deploy system based workflows and procedures to: effect payments for non-staff and Letters of Agreement, implementing payments through banking channels where possible; initiate recruitment of non-staff, and process travel requests electronically
- design the new RPSUs based on the work volumes of each region, concentrating programme, budget, finance, procurement and Human Resource Management functions currently fragmented with a view to start the implementation of the RPSU in 2012-13, including the creation of the Human Resource Business Partner role
- depending on the situation of each office, consider consolidation of project operations within the RPSU



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93. Given the wide ranging implications of the proposals described above, it is recommended to proceed in phased approach by gradually implementing process and structure improvements as detailed in the following sections.

## 4.1 Process Improvements

94. Process improvements should be pursued as soon as possible as they are pre-requisites to a successful implementation of the new model. It is recommended to implement key improvements starting already in 2011, to allow for structural proposals to be included in the PWB 2012-13.

95. Improvements can be identified in the following areas:

- Better use of technology and process simplification. Improved processes already adopted in HQ should be extended to ROs, specifically in the areas of streamlined system workflows, improved access and use of IT supporting tools and more efficient administrative processes. A number of workflows and administrative processes in ROs could be improved with the introduction of some IT supporting tools and with the simplification of a number of processes. A detailed list to be considered over time follows:
- System workflows:
  - ePPR – electronic personnel processing request.
  - ePRF - electronic payment request form (consultants and LoAs).
  - Transactions (travel, NSHR and payments) should be initiated online by technical and operations groups
  - Sub-regional office should use same systems (and associated procedures) as RO when co-located.
  - Extended use of EFT (Electronic Funds Transfer) for payments through banking channels to staff, consultants and suppliers
  - Use of framework agreements for the procurement of regularly required services like publications (already in place in RAP)
  - Recruitment support services (logging of applications, screening), followed by the implementation of i-Recruitment
  - Extended use of travel plans and adoption of tolerances on travel dates and cost to reduce multiple approval requirements, increased use of email and online Atlas approvals
- Longer term, the following should be considered:
  - ERP reports should be adapted to meet the needs of the ROs to avoid the use of manual shadow systems
  - the Oracle ERP Learning Management module should be adapted and deployed to ROs
- IPSAS/FAS: other processes, mainly in the financial area, should be considered for streamlining in the ongoing implementation of IPSAS and its Field Accounting System, particularly Field Budget Authorisations, Field Disbursement Requests and Field Payment Authorizations, and disposal and sale of field assets threshold values. It is also recommended to extend the use of the HRMS for NSHR processing to all





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decentralised offices in order for the Organization to have full management information on its human resources.

- Services to Country Offices: It should be noted that the Budapest centre has a dedicated Field Support Unit to provide HR and Travel services to FAORs without access to systems. This model could be extended to cover other administrative processes, as currently under consideration by the IPSAS/FAS project.
- Sharing of best practices,-by implementing new processes and procedures across the entire Organization: since the overall operational direction of the organization is moving towards decentralization and delegation, it may be appropriate to implement certain HQ procedures and protocols in the ROs, thus creating a network of ROs with similar operating models to those present originally at HQ. Accra and Cairo ROs should also provide a good starting point for RO operating models without an SSC hub, as they have been operating without an SSC hub since 2008 (travel and HR have been centralized to Budapest SSC). The two missions to Bangkok and Santiago also highlighted that regular and sustained communication between ROs and HQ on administrative processes can result in regular synergies and process improvements without requiring major resource investments. It is therefore recommended to implement a series of annual meetings and video-conferences between representatives from the various ROs where operating procedures, protocols and workflows can be discussed.

## **4.2 Organizational Structures: Global SSC and Regional Programme and Support Units**

96. To achieve overall savings maintaining high levels of service quality and client satisfaction it is essential to improve the service delivery organizational structure, and move rapidly to the consolidation of the SSC in a global centre in Budapest to be operational in 2012. With regard to the implementation of Regional Programme and Support Units, it is important to stress that all four missions confirmed the need for a swift action in this regard in all regional offices. The implementation could be started in 2012-13, to be further refined in following biennia.

97. As a general principle it should be accepted that the structure and staffing levels cannot be set for all Regional Offices in the same manner, but rather that general principles should be applied. In fact the volume of work changes considerably from region to region<sup>4</sup>, and the RPSU establishment will need to be tailored to individual RO requirements.

98. General principles that should be applied are based on the principle of achieving economies of scale and can be summarized as follows:

- Back office transaction processing should move to SSC
- Transactions should be initiated by clients (operations and technical teams, or for offices with no access to systems, by the SSC). Where possible, transaction initiators

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<sup>4</sup> This is clearly indicated by the number of countries covered by each Regional Office: RAF 47, RAP 34, RLC 33, REU 26 and RNE 18



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should be pooled together to allow for full utilization of available resources when officers are absent for a long time on missions

- Senior Officer (P-5) positions should be consolidated wherever volume of work does not justify multiple posts (for example, in RNE a Senior Administrative Officer in addition to a Senior Programme Officer may not be justified given the relatively small volume of work in the region and size of the office). This is already the case in REU when only one P-4 Administrative Officer position exists.
- Administrative functions should move to the RPSU (for example, the monitoring of staff actions as part of the FAOR network monitoring functions)
- Operations functions, when they are administrative in nature, should move to the RPSU
- Similar functions should be grouped to achieve economies of scale: for example in RAP four P-4 positions perform budget monitoring functions (Programme Officer; Budget and Finance Officer; FAOR Network Officer; TCP decentralization Officer)

99. New responsibilities should be moved into the RPSU with a view to making the role of the RPSU more strategic, and shift the focus of the RO servicing units from transaction processing to higher value-added activities.

100. The Regional Office Senior Programme Officer will have a strategic advisory role for the Regional Representative, and a more proactive oversight role over the regional delivery, and, where appropriate, by exercising a closer monitoring role.

101. Following the detailed level of review in the area of Human Resource Management, the review recommended to create a new role of Human Resource Business Partner at the RO in the PWB 2012-13: as a result of the lack of HR and Travel specialized staff in the region, Regional Offices and FAORs will find themselves without a direct point of contact within their region on matters which require local and direct HR and Travel expertise. As the practical examples from RAF and RNE suggest, Regional Offices and FAORs were quite happy to off-shore back-office activities to SSC Budapest (FAORs in RAF and RNE regions have reported an increase in the level of satisfaction with HR and Travel services provided by SSC Budapest). However, one must also note that both RAF and RNE have recently reported difficulties in carrying out ever growing HR functions in the areas of recruitment, HR planning, oversight of HR issues in FAOR Network, staff development and support to performance evaluation. These activities may be identified as those which require a degree of human interaction, local expertise and language (i.e. front-office activities). Long-term the GAOM introduces a new role within the Regional Office. The HR Business Partner has a partly operational and partly advisory role. The main aim of the Business Partner is to proactively provide advice and consulting services to line managers and executives on the planning, application and management of the human capital required to deliver the established unit results and ensure operational performance.

102. HR Business Partners translate business and/or workforce strategies, operational objectives and performance measures into requirements for HR programs and services and investments in human capital. The HR Business Partner is accountable for the effective and efficient delivery of HR programs and services. S/he participates in the development of overall HR strategies. The HR BP continuously monitors the people component of the business taking into account local conditions as well as the results and impacts of delivered



HR programs, projects and services against agreed procedures. The HRBP would support the implementation of further delegation of authority, and of major new HR Reforms included in the Immediate Plan of Action (such as the new competency framework). In introducing the HRBP role, FAO would be following a number of other agencies who deploy outposted HRBPs, namely World Bank and UNICEF. This role also supports changes by proposing the development of new strategies as required in order to deliver organizational objectives. Further details on the HRBP proposal are available upon request.

103. Similar roles could be foreseen in the Operations, Budget, Finance and Procurement areas, always depending on the size of the office and consolidating functions to achieve economies of scale wherever feasible and appropriate.

104. The implementation of the HR Business partner function in each Regional office could be planned at the same time as the SSC consolidation described in the previous section 3.4. That would require the reallocation of the savings obtained by the SSC hubs consolidation to the Regional Offices, in order to establish the HRBP position, initially at P-3 level (the grade could be re-assessed after a few years of operations). The standard cost of four P-3 positions, one for each Regional Office in Santiago, Bangkok, Accra and Cairo, would be approximately equal to the savings accrued by the consolidation of the SSC hubs, thus the whole reorganization would be budget neutral, yet it would definitely improve the overall quality, efficiency and effectiveness to the administrative services provided.

105. A list of more detailed recommendations and specific findings of the RAP and RLC missions are available upon request.

### **4.3 Further Improvement Opportunities**

106. In addition to the findings and recommendations presented in the report, the review highlighted a number of further opportunities for research which could be investigated during a more in-depth assessment of current Regional Office operating models. The main areas include:

- RAF and RNE operational review - An in-depth review of RAF and RNE operating models would be appropriate, in order to compare the efficiency of current operating models and provide further input into the development and implementation of the new GAOM<sup>5</sup>. Indeed the missions undertaken to Accra in October 2010 and to Cairo in January 2011 confirmed that the findings and recommendations of this report are applicable to all Regional Offices.
- Letters of Agreement - An assessment of the feasibility of off-shoring the support to the formulation of LoAs in the Regions, as well as the processing of related Purchase Orders and payments to Budapest. This support is already provided to HQ departments by SSC Budapest.
- Journal Vouchers - The potential off-shoring of the processing of Journal Vouchers from the regions to Budapest, as JV processing for HQ departments is already with SSC Budapest.

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<sup>5</sup> A mission to RAF was undertaken in October 2010, and a mission to RNE took place in January 2011 with a view to validating the findings and recommendations of this report



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- Social Security - An in-depth review of these functions will need to be carried out in order to identify how it could be adapted to and affected by the new GAOM.
  - IPSAS/FAS - In light of the new IPSAS/FAS project, future resource requirements will need to be assessed and eventually adapted to the new needs of Decentralized Offices.
  - Invoice processing: complete centralization (as per best business practices) of the vendor management and invoice processing to Budapest should be explored. Budapest is already performing these functions for HQ departments.
  - Management by exception: consider the introduction of MBE for transactions of high volume such as extension of fixed-term appointments, where only exceptions i.e. non-confirmation could be handled individually while the bulk, resulting in an extension, could be automated. A more detailed overview of MBE principles is available upon request.
  - Potential off-shoring of other administrative activities as part of the new GAOM – The new model foresees a clear distinction between front and back office functions. Whilst in the areas already covered by the SSC (HR and Travel) a lot of analysis and optimization has been done, the same has not yet happened for other administrative areas, where detailed process and resource analysis is recommended to identify further improvements. Therefore, a study of the feasibility of off-shoring a number of other administrative activities (e.g. finance) could be carried out. Figure 18 below illustrates the activities which could potentially benefit from increased process standardization and economies of scales if they were to be off-shored. In addition, the concept of Business Partner could also potentially be extended to other administrative functions. Specifically, a Finance Officer at ROs could be responsible for front-office finance and procurement activities (with the aid of a restricted number of GS staff), while off-shoring back-office transaction processing. It should be noted that a preliminary assessment of the transaction processing work associated to Procurement in Regional Offices seems to suggest that due to the local nature and low volume all Procurement related functions should be included in the front-office.

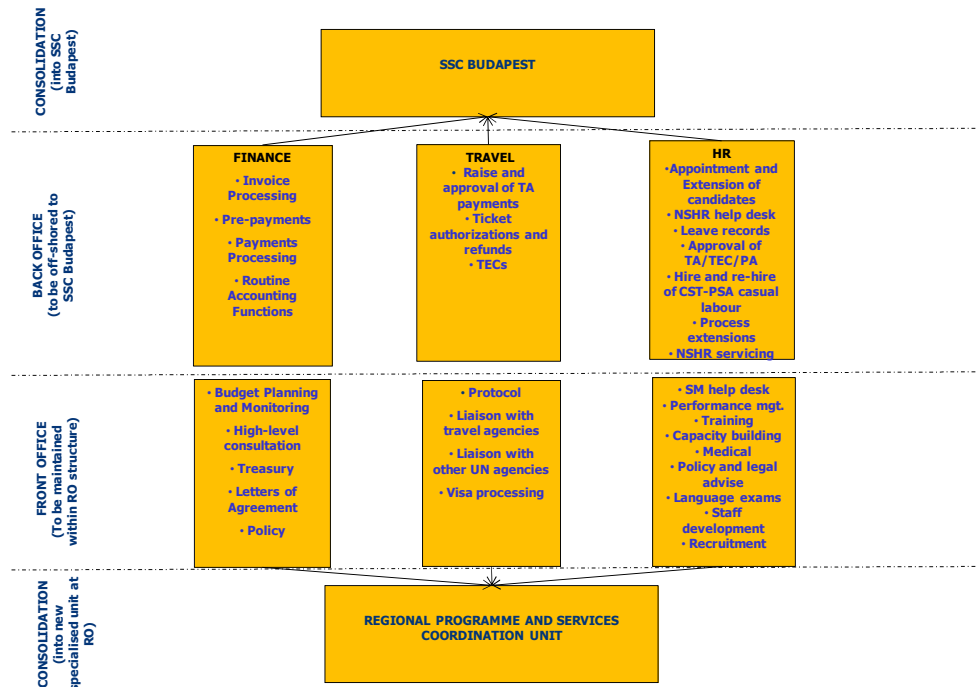


Figure 18 – Complete list of services which could potentially be off-shored