



Thirty-first Regional Conference for Latin America and the Caribbean

Panama City, Panama, 26 to 30 April 2010

Establishment of One Global Shared Services Centre

Background

1. In November 2005, the Conference approved the establishment of a Shared Services Centre (SSC) to support streamlining of administrative and financial processes aimed at achieving further efficiency gains and enhanced human resources policy and management. As result of this Conference Resolution, the Management Support Service (MSS) at headquarters and the Management Support Units (MSUs) in the Regional Offices were consolidated into an SSC in Budapest, Hungary, a coordination centre at headquarters, and two SSC hubs in Santiago and Bangkok to cover the three main time-zones in which FAO operates.

2. This document provides an overview of the current set-up and experience to date of the SSC as background to the more thorough review taking place in 2010 of the functioning of the hubs and an evaluation for possible further consolidation.

Services of the Shared Services Centre

3. The aim of the SSC was to move from headquarters to lower cost locations, administrative transactions which were high in volume, routine in nature, based on agreed and documented rules and standard procedures, of low strategic importance and location independent. These transactions included personnel servicing, travel advances and expense claims, accounting journals, letters of agreement, invoice processing, clerical procurement transactions, inventory processes and related help desk services.

4. The chosen configuration entailed the redistribution of the functions to three SSC hubs in Bangkok, Santiago and Budapest. These hubs are located in different time-zones to cater to FAO's geographically decentralized staff and offer proficiency in the required working languages. The *hubs are located in cities that offer good facilities and a reliable information and communications technology infrastructure*. To ensure service quality worldwide, a coordination centre was established at headquarters, and the three SSC hubs reported to this centre.

5. Before the establishment of the SSC, human resource and travel services were provided by the MSS at headquarters and by each Regional Office MSU. With the establishment of the SSC, the Budapest hub took over the provision of human resource and travel services for Europe and Central Asia (including headquarters), Africa and the Near East. For Asia Pacific and Latin America/Caribbean, SSC hubs in Santiago and Bangkok provide these services.

6. The Budapest office also took over a number of other services previously located at headquarters, namely support to system users, processing of purchase orders, and, for headquarters, processing of accounting journals and invoices and management of vendor banking instructions and staff receivables.

Establishment of the Hubs

7. Budapest was chosen as the main hub following a careful review. One deciding factor was that the Hungarian government offered particularly favourable conditions for the establishment of a SSC hub, including the full refurbishment of accommodation in the Ministry of Agriculture. This, coupled with the favourable staff cost differentials between Hungary and other locations, made the proposal cost effective and efficient, and the Agreement with the Republic of Hungary for the Budapest hub was signed in early 2007.

8. The proposed structure of the Budapest hub, together with changes needed in Bangkok and Santiago, was described in document CL 131/18 of November 2006. It included a net reduction of 72 posts at headquarters (leaving a small coordination centre) and a net reduction of 20 posts in the Regional Offices for Africa (RAF) and the Near East (RNE). It also entailed the creation of 72 posts in Budapest and five additional positions in the hubs in the Regional Offices for Latin America and the Caribbean (RLC) and Asia and the Pacific (RAP) Regions resulting in a net reduction of 15 posts overall.

9. The final SSC structure as presented in the PWB 2008-09 was as follows:

Table 1. Established staffing of the SSC in 2008-2009

Location / Unit		Number of FTEs		Total
Headquarters		Professional	General Service	
	AFDS	16	17	33
Regional Locations				
	Bangkok	1	12	13
	Santiago	1	10	11
	Budapest	9	86	95*
Total		27	125	152

* 72 are regularly established positions and 23 are temporary

10. The decision by FAO is in line with that made by other public sector and private institutions, many of which have established SSC in low cost locations to take advantage of the salary cost differential. In FAO's case, the savings resulting from the transfer of 72 positions from Rome to Budapest amounted to approximately USD 8 million per

biennium.

11. The implementation of the SSC was phased over the period 2008-2009 with most of the functions operational by the end of 2008. In January 2008, the SSC hubs in Bangkok and Santiago became fully operational, and the Budapest hub opened with a first complement of about 25 staff. The headquarters MSS, and RAF and RNE MSUs ceased to exist, and all staff were successfully redeployed.

External Reviews of the SSC

12. In 2008 and 2009, two major consulting firms undertook an initial examination of the present configuration of the SSC hubs. Firstly, the Root and Branch Review conducted by Ernst & Young¹, did not perform an in-depth study, but nevertheless recommended consideration of a single hub structure (as per current best practice) and of additional services to be offshored. A second consulting firm² undertook a more detailed review of the Rome and Budapest staffing levels. In comparing workload indicators from before and after the establishment of the SSC, the consultants noted that the number of transactions per full-time equivalent staff was between 1.5 and 2 times higher in Budapest than in Bangkok and Santiago, and that the volume of transaction processed by FAO globally was low compared to industry standards using multi-hub structures. They also noticed that the average response time of the SSC was more than 24 hours per transaction, thus making time-zone considerations less relevant. As a consequence, they recommended consideration of a single hub structure in Budapest. The consultants also recommended further consolidation and offshoring of headquarters functions to Budapest and the elimination of the SSC transaction processing services undertaken by the coordination centre in Rome.

Members' Guidance

13. In July 2009, the Finance Committee reviewed a progress report on the SSC hub in Budapest, which included information on the services provided and cost savings achieved, as well as highlights of the recommendations stemming from the Root and Branch Review and the second external review. The Committee was also informed that the Secretariat was undertaking further analysis of the recommendations of this second review.

14. The Finance Committee commented favourably on the savings achieved so far (over USD 8 million per biennium), and the potential savings arising from the creation of a global hub, which were estimated at an additional USD 1.8 million per biennium. With a view to the potential efficiency gains and savings, the Committee strongly encouraged the finalization of the internal review. The outcome of the review and proposals for the establishment of a single global hub, were to be presented in the PWB 2010-11. 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.³

¹ FAO Root and Branch Review Final Report (April 2009), Ernst & Young

² FAO SSC Organizational review (May 2009), Accenture

³ CL 137/4, paras 68 – 70.

15. The Report of the 137th Session of FAO Council (CL 137 REP) indicated that: The Council took note of the planned review of the Shared Services Centre for possible creation of a global Shared Service Centre hub, referred to in the PWB 2010-11. It stressed that any decision regarding the closure of the Shared Services Centre in Bangkok and Santiago must be preceded by in-depth study and analysis, taking into account both efficiency and effectiveness concerns. The Council looked forward to a transparent and consultative review and decision-making process based on such detailed information, including consultations with the Regional Conferences as well as the Finance Committee” (paragraph 23).

16. In November 2009, the Conference voted a budgetary appropriation which included unidentified further efficiency gains of USD 12.4 million and one-time savings of USD 10.4 million which need to be achieved in 2010-11. The Conference requested that measures for these savings include, in particular, actions that protect the delivery of the technical and economic programmes of the Organization.

Plans for 2010

17. In line with the guidance of its governing bodies, the Organization is committed to providing Shared Services in the most efficient and effective manner across all FAO offices. It will therefore evaluate and implement recommendations stemming from the external reviews, taking Members’ guidance into consideration, as necessary.

18. In the PWB 2010-11, the Organization has already implemented the recommendation to close the SSC coordination centre in Rome, with some posts abolished and others transferred to divisions within the Corporate Services, Human Resources and Finance Department (CS). The post of Chief, SSC, D-1, will move to Budapest in July 2010. Furthermore, CS department is planning to undertake in 2010 a thorough review of the SSC Bangkok and Santiago hubs, including the efficiency and effectiveness, quality of service as well as arrangement for any additional services provided by the SSC hubs in addition to their current responsibilities, and an assessment of the effectiveness of administrative services for the Near East and Africa Regions which have been provided from Budapest since 2008. The review will include an appraisal of the interaction of the SSC hubs with the offices in the geographical region they service to assess their efficiency and effectiveness, including relevance of the time-zone considerations

19. In addition to confirming the estimated savings of USD 1.8 million in moving to a single hub structure in Budapest, the review will also consider the efficiency and effectiveness of the current administrative service delivery to all regions. For example, the Regional Offices already operating without an SSC hub since 2008 have highlighted a lack of focused and knowledgeable local presence of administrative staff, in particular in Human Resource matters such as recruitment, organizational design, staff development and career planning, and in dealings concerning complex administrative policy matters. These considerations could lead to a re-investment of part of the savings in improved regional administrative support in all regions, especially in light of additional financial and budgetary delegations from headquarters to the regions that are to be implemented from 2010.

20. Based on this review, the business case for a global hub will be finalized taking into consideration the results of the consultation with the regional conference. A consolidation of the hubs could foster greater standardization, faster service and improved controls from an administrative standpoint. Preliminary findings also suggest that consolidation would be cost effective, given both the favourable staff cost differentials (based on the current rates). If the one-hub approach is confirmed from both an efficiency and effectiveness point of view, the consolidation could take place in the second half of 2011.