

**ADMINISTRATIVE SUPPORT SERVICES**  
**The role of service centres in redesigning  
administrative service delivery**

*Prepared by*

***Jeremiah Kramer***

**Joint Inspection Unit**

**Geneva 2016**



**United Nations**



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## EXECUTIVE SUMMARY

### **Administrative support services: the role of service centres in redesigning administrative service delivery** **JIU/REP/2016/11**

The main objective of the review was to examine the methods and practices of United Nations system organizations in redesigning how they deliver administrative support services through the use of shared services and service centres. This report stems from the efforts of United Nations system entities, including at the direction of legislative bodies, to improve the efficiency and effectiveness of administrative support services. Many organizations have concluded that the replication of administrative support functions in multiple locations diverts resources from their mandated priorities, and has led some to consolidate some administrative transactional functions. It examines the experience of United Nations system organizations in making such changes by developing shared services (through the consolidation of delivery in fewer locations), grouping them in service centres and locating them in lower-cost venues. Even absent the objective of consolidation, some organizations have relocated functions in order to achieve cost savings.

#### **Main findings and conclusions**

Based on replies to a system-wide questionnaire, seven organizations that had established global service centres or were intending to do so were identified: the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the United Nations Office for Project Services (UNOPS), the World Health Organization (WHO) and the World Food Programme (WFP). These organizations share certain characteristics: they work on a relatively large scale, perform operational functions and have extensive field-based networks and programmes, encompassing the most complex service needs. WFP has subsequently decided not to proceed with an envisaged global service centre at this time, but it is addressed in this report as its approach offers valuable insights. The experience of the United Nations Secretariat in developing the Regional Service Centre in Entebbe, Uganda was included because it has a distinct shared service dimension, experienced significant challenges during its development that provide valuable insights, and has been the subject of a range of reviews that provide lessons learned.

“Shared services” in this context refers to the provision of commonly used services by one group in an organization instead of having the service provision replicated in multiple units. It does not inherently mean inter-agency sharing, although inter-agency cooperation is an important feature of United Nations system efforts to improve administrative efficiency and effectiveness. In its resolution 67/226, for example, the General Assembly put forward an ambitious agenda for the consolidation of support services at the country level and the possible establishment of common service centres and common support services at the country, regional and headquarters levels in key administrative support areas, based on a unified regulatory framework. It also called for investment in intra-agency rationalization of business operations.

Although ideally internal and inter-agency measures would be examined together, the Joint Inspection Unit JIU made the practical judgment that is more realistic to examine them in stages. Inter-agency cooperation, with its multiple facets, the range of stakeholders

and the variety of intergovernmental actors involved, requires the dedicated time and resources that the complexity of the subject demands.

In 2009, the JIU issued a report entitled “Offshoring in United Nations system organizations”. It examined the early experience of UNHCR, FAO, WHO and WFP in relocating their administrative support services and establishing service centres in lower-cost locations away from headquarters. As it was published shortly after the service centres of UNHCR, FAO and WHO were established, it was too early to assess results achieved.

The present report finds that the consolidation of administrative support functions and their placement in service centres in lower-cost locations has been driven primarily by the need for cost savings, but not to the exclusion of other motives. The Regional Service Centre, for example, was proposed primarily to reduce mission footprints and the number of civilians in hazardous locations. FAO, WHO, UNDP (especially in the context of service-centre-related measures taken during its structural change) and UNICEF all had cost reduction as an important consideration, but to varying degrees and at varying times they all expressed other objectives as well, including improved service quality, specialization, reduced risk and enhanced mission focus. The review observes that far more attention is generally paid, especially by intergovernmental bodies, to savings than to the reaping of qualitative improvements.

This review seeks to capture the experience to date with a view to identifying good practices and areas for further improvement. It examines the experience in developing business cases and cost-benefit analyses, selecting locations, realizing benefits, defining governance arrangements, measuring performance and addressing the human resources management issues encountered. Preliminary comments on inter-agency cooperation are offered as well. In addition to elaborating in the subsequent chapters on these thematic issues, the Inspector draws attention to the following overall conclusions:

- (a) In consolidating service provision, United Nations organizations are heading in the right direction by considering shared (consolidated) services, services centres and the placing of such centres in lower-cost locations, which are well-established concepts that can generate, and have generated, meaningful efficiencies;
- (b) A focus on relocation to low-cost venues has tended to overshadow the distinct analysis and presentation to governing bodies of the opportunities available through business process improvement and consolidation of service delivery (shared services). This is not to suggest that such analysis, when done, did not inform decision-making;
- (c) Embedding change and realizing benefits takes both investment and time. A focus on short-term savings can be both short-sighted and counterproductive. A dominant finding is the importance of sustained leadership;
- (d) The challenges of moving to low-cost locations should not be underestimated. The loss of institutional knowledge is real; costs relating to higher turnover rates, training and maintaining headquarters-service centre dialogue have been hard to quantify; and distinct human resources management challenges abound. While these considerations should not deter locational change, they suggest that the business case should be compelling;

(e) The role played by legislative bodies varies from detailed engagement at the process level to leaving broad discretion to management. As this is a function of the governance relationship between the legislative body and the relevant secretariat, a uniform approach is not realistic;

(f) Shared services benefit from active partnership between clients and service provider, where each carries out its part. Customer service orientation and performance management have not been well developed, but welcome initiatives by UNICEF, UNDP, FAO and the Regional Service Centre are refocusing on customer service and continuous improvement;

(g) Inter-agency cooperation on global service centres lags behind both analogous work at the country level and the extensive cooperation that takes place on other aspects of global service delivery approaches.

### **Business cases, cost-benefit analysis and benefits realization**

Although not equally applicable to each organization, an observation about some business cases is the tendency to focus on the benefits stemming from relocation, rather than to present analysis on the specific drivers of efficiency and effectiveness gains. Business process improvement, consolidation of service delivery points and relocation to a low-cost venue are distinct concepts that are often bundled together. Executive heads should distinguish among them so that relocation is not misunderstood as the vehicle for all three.

A reduction in staff time for administrative support functions is often an important feature of the business case and cost-benefit analysis. Reduction in the number of staff and time freed up are also often bundled together. Business cases should distinguish between cashable benefits, in terms of funds released, and staff time made available for potential repurposing.

The consolidation of service delivery points and relocating them to low-cost venues need not be carried out in a single step. Organizations with highly decentralized service provision in multiple locations may choose first to consolidate the services at existing duty stations so as to be able to improve and standardize processes with knowledgeable staff. This could facilitate further consolidation and relocation, should that be subsequently decided.

Organizations generally have considered a range of location options and examined similar factors, such as staff costs, skilled labour availability, communications and information technology infrastructure reliability, and security. Decisions reflect a judgment by management, rather than the sum of weighted criteria. Incentives offered by host authorities and privileges and immunities extended are important factors. The experience of host countries in delivering on their undertakings has not been uniform.

The salary differentials used by organizations — such as by FAO, WHO and UNHCR — to project savings that could be realized by transferring certain functions from headquarters to service centre locations have so far stood the test of time, or even improved. Nevertheless, it would not be accurate to conclude that total savings are as large as the differences in salary costs. This is because not all relevant costs incurred are systematically gathered. Executive heads should track expenses incurred and benefits realized and be able to report on them.

Benefits realization requires active management. For example, improving process efficiency, abolishing redundant posts and repurposing time that has been freed up by reduced administrative work all require discrete management actions. Benefit realization plans should be prepared.

### **Performance management**

Performance measurement is not very well developed. This undermines accountability and the ability to improve. The lack of investment in tools and systems to support business analytics and reporting is a serious impediment. The basis for performance expectations is often not clear. Performance indicators are for the most part formulated on the basis of what organizations think that they can deliver, rather than on objectively defined standards anchored in real-world experience. A singular focus on how a service centre carries out its piece of a process does not offer a complete picture. An end-to-end view is required, while recognizing that stakeholders should be accountable for the parts of the process they control.

### **Governance**

Senior executive sponsorship to champion and drive the changes desired is important. The determination of the Administrator of UNDP, the High Commissioner for Refugees and the Executive Directors of UNICEF and UNOPS was by every account a key factor in sustaining focus and unity of purpose among stakeholders. The absence of such sustained leadership has the contrary effect.

In terms of service centre management and reporting lines, there had been two basic modes: extension of headquarters, with functional units reporting to headquarters, and operational independence. The evolution has been in the direction of the latter — stand-alone centres responsible for service delivery. This is now applied by WHO, the Regional Service Centre, FAO, UNICEF and UNDP. The experience of the Regional Service Centre reinforces the argument for service centres to have distinct organizational personalities and budgets.

The engagement of legislative bodies with respect to consideration of service centres varies considerably. It may be neither realistic nor desirable to envisage a uniform approach, as each organization has its own institutional context and relationship between executive head and legislative body. However, technical advisory bodies should examine the results realized by administrative service reform.

### **Human resources management**

Establishing and operating service centres in low-cost locations presents distinct human resources challenges. Recruiting and retaining local staff is a challenge reflected in high turnover rates. Managers believe that rigidities in the United Nations staff contractual modalities compound staffing challenges. They also believe that international staff are difficult to recruit and retain because service centre work is seen as a second-tier, low-profile assignment removed from the organization's lifeblood. In Malaysia and Hungary, low post adjustment is a disincentive for international staff who have expenses abroad, such as households and children in school. Executive heads are urged to develop staff retention strategies and to consider developing mechanisms for exchange of local staff among United Nations organizations in the same location.



Some organizations feel deeply the loss of institutional knowledge, which becomes particularly evident when human resources tasks thought to be transactional are found to require both knowledge and judgment that draw on institutional culture. Others see an opportunity to strengthen the service culture.

National Professional Officers (NPOs) are used for a variety of functions that often have no specific national content dimension. They are a growing feature of service centre staffing strategies. Service centres illustrate the need to update the criteria for NPO use because they show that organizations need locations from which to provide services beyond national boundaries. Action is required to address the needs of organizations to secure locally recruited professional expertise for functions not narrowly limited to national content or nationality.

### **Change management**

Interlocutors uniformly stress that change management cannot be underestimated, and call for capable, committed and sufficient resources to be ensured. Executive heads should ensure the development of a strong change management process, communication plan and training programmes to facilitate the introduction of the new business model and manage resistance to change. Experience shows, however, that change management is challenging to apply, even if the importance is widely understood. Organizations often lack capacity and skills.

### **Administrative service delivery and the United Nations system**

The emphasis in the 2030 Agenda for Sustainable Development on integrated approaches draws renewed interest to the scope for further integration as operational infrastructure supports the practical ability of United Nations system organizations to work together. In its resolution 67/226, the General Assembly had already conveyed a strong message in support of smaller administrative footprints at the country level and the consolidation of support provision. Extensive inter-agency collaboration already takes place, but the Secretary-General reports that development of more unified country-level structures for administrative service delivery has not gone very far owing to bottlenecks and resistance at the implementation level.<sup>1</sup> While ad hoc cooperation among service centres is beginning to develop, the global service centres also reflect virtually no systematic inter-agency effort to plan, develop or operate facilities for common benefit or for organizations to draw on the infrastructure and capacities developed by others. However, given the importance of the topic, exploring such solutions has been identified as a priority for the next strategic plan of the High-level Committee on Management (HLCM).

The report identifies three challenges in connection with making further progress that require further reflection: whether the organizational coverage of resolutions on the quadrennial comprehensive policy review of operational activities for development of the United Nations system is sufficient; the connection between cooperation at the country level and global-level service delivery; and the accountability relationship between legislative direction on administrative consolidation and harmonization and the work subsequently carried out.

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<sup>1</sup> A/71/63-E/2016/8, para. 230.

Through HLCM and the United Nations Development Group (UNDG), considerable cooperation is under way in relation to service delivery at the country level. Within HLCM itself, much cooperative work is carried out through functionally oriented working groups. A practical measure that could be considered now is to complement these efforts with a horizontal work stream on service delivery.

### **Recommendations**

#### **Recommendation 1**

**The executive heads of organizations that have global service centres should define and provide the tools and systems required to support efficient tracking of customer service and the capturing of business intelligence for performance measurement and further improvement and comparison with benchmarks.**

#### **Recommendation 2**

**The executive heads of organizations that have global service centres should define efficiency benchmarks based on objective standards and ensure that performance targets are progressively adjusted to attain them.**

#### **Recommendation 3**

**The executive heads should within a year designate responsibility for pursuing ongoing improvement and for making process changes and ensure that service centre governance and management arrangements make clear the related role of service centre managers.**

#### **Recommendation 4**

**The legislative bodies, in support of their oversight and monitoring functions, should request their technical advisory bodies to examine the results, including benefits realized, of administrative service reform when considering relevant organizational budget proposals, starting with the next budget cycle.**

#### **Recommendation 5**

**The General Assembly should, consequent to the current review by the International Civil Service Commission of all categories of staff, take action, if possible at its seventy-second session, to address the needs of organizations for locally recruited professional expertise for functions not limited to national content.**

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**ABBREVIATIONS**

CEB	United Nations System Chief Executives Board for Coordination
FAO	Food and Agriculture Organization of the United Nations
HLCM	CEB High-level Committee on Management
ICSC	International Civil Service Commission
NPO	National Professional Officer
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
WFP	World Food Programme
WHO	World Health Organization

## I. INTRODUCTION

1. The Joint Inspection Unit (JIU) included a review on aspects of administrative support services in its 2016 programme of work. This project stems from the efforts being made by United Nations system entities, including at the direction of legislative bodies, to change how they deliver administrative support services. The present study examines the experience of United Nations system organizations in making such changes by developing shared services (through the consolidation of delivery in fewer locations), grouping them in service centres and relocating them to lower cost locations than the headquarters.

2. Such initiatives have been prompted by the quest for efficiency gains, cost reduction, standardization and specialization and service improvement. They are enabled by new enterprise resource planning systems that reduce the importance of location for certain tasks and provide an organization-wide lens through which to plan for efficient and effective administrative support services. Many organizations have concluded that the replication of administrative support functions in multiple locations diverts resources from their mandated priorities, which has led some to consolidate a number of administrative transactional functions. Even without the objective of consolidation, some organizations have relocated functions in order to achieve cost savings.

3. While the present study focuses on the measures organizations have taken within themselves, inter-agency cooperation is an important feature of United Nations system efforts to improve administrative efficiency and effectiveness. In its resolution 67/226, on the quadrennial comprehensive policy review of operational activities for development, the General Assembly put forward an ambitious agenda for the consolidation of support services, including the possible establishment of common service centres and common support services at the country, regional and headquarters levels, based on a unified regulatory framework. It also called for investment in intra-agency rationalization of business operations.

4. The present report addresses intra-agency initiatives. While there is certainly a connection between what organizations decide to do on their own and what they do in cooperation with other United Nations partners, Joint Inspection Unit (JIU) made the practical judgment that it was more realistic to examine these types of initiatives in stages. Inter-agency cooperation, with its multiple facets, the range of stakeholders and the variety of intergovernmental actors involved, requires the dedicated time and resources that the complexity of the subject demands. It is envisaged to address the scope for enhanced inter-agency cooperation at a future time, but preliminary observations are contained in paragraphs 119 to 127 below.

5. In 2009, the JIU issued a report entitled “Offshoring in United Nations system organizations”.<sup>2</sup> It examined the early experience of the Office of the United Nations High Commissioner for Refugees (UNHCR), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO) and the World Food Programme (WFP) in relocating their administrative support services and establishing service centres in lower-cost locations away from headquarters. It outlined considerations that should be taken into account in the planning and implementation of such initiatives. As it was published shortly after the service centres were established, it was too early to assess either results achieved or the evolution of those centres.

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<sup>2</sup> JIU/REP/2009/6.

### A. Objectives and scope of the review

6. The main objective of the review was to examine the methods and practices of United Nations system organizations in redesigning how they deliver administrative support services through the use of shared services and service centres.

7. On the basis of the responses to a system-wide questionnaire, seven organizations that had established global service centres, or were at the time intending to do so, were identified: FAO, UNDP, UNHCR, the United Nations Children's Fund (UNICEF), the United Nations Office for Project Services (UNOPS), WHO and WFP. WFP has subsequently decided not to proceed with an envisaged global service centre at this time but it is addressed in this report as its approach offers valuable insights. The experience of the Regional Service Centre in Entebbe, Uganda was included because it has a distinct shared service dimension, has experienced significant challenges during its development that provide insights, and has been the subject of a range of reviews that provide lessons learned.

8. The review identifies good practices, lessons learned and areas for further improvement. To do so, it examines the drivers propelling these initiatives; the functions placed in service centres; business cases, cost-benefit analyses and benefits realization; governance arrangements; performance measurement; and the human resources management aspects of the changes. It draws focused attention to selected issues that emerge rather than trying to develop a comprehensive checklist of everything that should go into the development of shared services and service centres. Additional observations specific to individual organizations are contained in boxes 1 to 7 below. Many of the lessons organizations said they learned are distilled in the final chapter.

9. In the course of the review, an effort was made to see how other organizations addressed the factors that the General Assembly stipulated should be included in a proposal for a United Nations global service delivery model. These include the need for a business case; the establishment of an end-state vision; clear goals and objectives; a detailed cost-benefit analysis addressing qualitative and quantitative aspects; a benefits realization plan; and comprehensive baseline information on each affected process.<sup>3</sup> The Inspector realizes that these requirements apply only to the United Nations Secretariat, but considered that they might be of wider interest as resolution 70/248 is a rare example of specific legislative direction on issues to consider.

10. In line with practice in both the private and public sectors, shared services in this review refers primarily to the provision of commonly used services by one group in an organization instead of having the service provision replicated in multiple units.<sup>4</sup> In this context, "shared" does not inherently imply or relate to inter-agency sharing, although clearly in the United Nations system, some entities do indeed draw upon servicing by others.

### B. Methodology

11. The review was undertaken from February to November 2016. In accordance with JIU internal standards, guidelines and working procedures, the methodology followed in preparing the present report consisted of multiple methods, mostly qualitative, including desk reviews, a detailed questionnaire and in-depth interviews to facilitate information gathering and analysis of the subject. The project began with a preliminary review of the publicly available literature

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<sup>3</sup> See General Assembly resolution 70/248, sect. XIX.

<sup>4</sup> Institute of Management Accountants, *Implementing Shared Service Centers* (2000), p. 2.

on shared service centres in general and publicly available United Nations-specific documents. Preliminary interviews of stakeholders were conducted prior to the commencement of detailed information gathering.

12. A desk review of relevant documentation and the issues identified therein was followed by a data collection phase, including detailed questionnaires sent to stakeholders and in-depth interviews, in person or by telephone. The review took into consideration available reports and previous audits and reviews conducted by organizations' internal and external oversight entities on the subject. Interviews with Member States were conducted to clarify the perspective on governance aspects.

13. Detailed questionnaires were sent to 28 participating organizations and responses were received from 25 of them. On the basis of the responses to the questionnaire, 162 interviews were conducted with 206 persons: heads of and senior management in administration offices of United Nations organizations, heads and staff of shared service centres, staff representatives and representatives of oversight bodies. Missions were carried out to headquarters offices and shared service centres of FAO, UNDP, UNHCR, UNICEF, UNOPS, WFP, WHO and the United Nations Secretariat (Bangkok, Budapest, Copenhagen, Entebbe, Kuala Lumpur, New York and Rome). The data collection phase also included information directly received through interviews or publicly available from the Boston Consulting Group, Deloitte, KPMG and PricewaterhouseCoopers.

14. Pursuant to article 11, paragraph 2, of the statute of the Joint Inspection Unit,<sup>5</sup> an internal peer review procedure was used to solicit comments from all JIU inspectors (collective wisdom) before the report was finalized. The draft report was also circulated to United Nations entities for correction of factual errors and for comments on the findings, conclusions and recommendations.

15. The report contains six recommendations, of which four are addressed to the executive heads of United Nations system organizations and two to the legislative bodies of the organizations. To facilitate the handling of the report, the implementation of its recommendations and monitoring thereof, the annex to the present document contains a table indicating whether the report is submitted for action or for information to the governing bodies and executive heads of the organizations reviewed.

16. The Inspector expresses his appreciation to all those who assisted in the preparation of the present report, in particular those who participated in the interviews and so willingly shared their knowledge, expertise and experience.

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<sup>5</sup> See [www.unjiu.org/en/corporate-information/Pages/Statute.aspx](http://www.unjiu.org/en/corporate-information/Pages/Statute.aspx).

## **II. EVOLUTION OF SERVICE CENTRES IN THE UNITED NATIONS SYSTEM**

### **A. Context**

17. The multiple thematic or sectoral mandates conferred on United Nations system organizations, and their often global scope, have led to complex structures at headquarters and operations in many parts of the world. Both the structures at headquarters and presences elsewhere required administrative support services. As programmatic tasks were added incrementally, so too were administrative support capacities.

18. In the private sector, the late 1990s saw growth in the relocation of functions to low-cost locations (offshoring) and outsourcing of functions to companies in such countries. This was enabled by the development of information and communications technology. It was also driven by the need for skilled engineering and technology expertise.

19. The United Nations system was not immune to these phenomena. While outsourcing has been applied to only a few areas of operation — most commonly with respect to information technology services — the development of enterprise resource planning systems enabled standardization of processes and information technology made it easier to consolidate points of delivery.

20. Single-function service centres, usually for information technology services, which used a “follow the sun” support model of providing round-the-clock customer service, was the initial form of the idea. As technology evolved and more functions were seen as suitable for consolidation on a global basis, multifunction global shared service centres started to come about. These service centres are shown in table 1 below.

### **B. Organizations with global service centres**

21. The first UNDP initiatives were global centres in Copenhagen for supporting Junior Professional Officers (2001) and a suite of transactional human resources functions (2003-2004), and a separate finance centre in Kuala Lumpur to support adoption of the International Public Sector Accounting Standards (2012). These were stand-alone centres reporting to corresponding functional groups at the New York headquarters. In 2014, in the context of the UNDP structural change, other finance functions were transferred from New York to Kuala Lumpur. In 2016 UNDP unified the Copenhagen and Kuala Lumpur service centres in a Global Shared Services Unit that replaces previously separate reporting lines with cross-functional management. It should be noted that in UNDP there are many improvement opportunities related to enhancing the efficiency and effectiveness of administrative service delivery: the continuous review of country office structures and functions; examination of clustering back-office functions now carried out in country offices; examination of consolidating delivery of an additional range of human resources processes; further specialization and clustering of procurement work; and a suite of other business process reviews.

22. In 2008, FAO established a shared services centre in Budapest serving headquarters, Europe, Central Asia, Africa and the Near East, and two regional hubs: Santiago for Central and South America and Bangkok for Asia and the Pacific. The Shared Services Centre was to carry out transactional functions that were high in volume; routine in nature; based on agreed and documented rules and standard procedures; individually of low strategic importance; and independent of location. These included personnel servicing, travel advances and expense claims, accounting journals, invoice processing, clerical procurement transactions, inventory



processes and help desk services. One of the critical factors in deciding to have three locations was the perceived need for full-time zone coverage.<sup>6</sup> A review in 2010/11 found that time zone had proven not to be an important issue and proposed to achieve further economies of scale through consolidation into one main centre in Budapest, but this was not approved by the FAO Conference.

23. In 2006, WFP initiated a project to develop a service centre in two phases. Non-critical processes would be transferred in the first phase and more critical ones later. In the first phase, WFP relocated its information technology help desk, non-food procurement, global vehicle leasing programme, vendor management and travel to a variety of locations. The second phase, under which WFP planned to relocate human resources management and finance functions, did not materialize. In July 2014, WFP launched the Cost Excellence Initiative to enable it to reduce costs and improve efficiency while sustaining investments in key strategic priorities.<sup>7</sup> In 2016, WFP management reviewed the benefits, costs and risks of establishing a service centre. Analysis indicated that while a service centre could provide financial benefits, those benefits were not compelling enough to justify a move and it was decided to focus the efforts on process transformation given the potential benefits arising from that area.

24. WHO established its Global Service Centre in Kuala Lumpur in 2008 as part of a bigger plan to modernize service delivery, including a new enterprise resource planning system. A JIU 2012 review of WHO management and administration found that the service centre brought significant progress in transparency, better monitoring of the use of resources and better coherence of administrative processes, and contributed to an improved managerial culture in WHO.<sup>8</sup>

25. UNHCR in 2008 outposted certain human resources, finance, supply and information and communications technology functions from headquarters to a global service centre established in Budapest. Its approach was based on relocating functions within existing structures rather than establishing shared services. The UNHCR presence in Budapest has grown substantially as result of the progressive transfer of functions in the core areas of finance, human resources, supply and information and communications technology and the enlargement of capacity for functions that UNHCR thought could not have been affordable in Geneva, such as the strengthening of emergency response and supply chain management functions and the growth in the role and capacity of the Global Learning Centre. More recently, Copenhagen has been designated a global service centre. The UNHCR presence there is growing rapidly: as of mid-August 2016, there were 109 posts, twice as many as a year before.

26. UNICEF opened a global shared service centre in Budapest in 2015 to carry out on a global basis rules-based administrative transactions related to finance and human resources administration. The phased transfer of functions from country offices and headquarters locations should be completed by the end of 2016.

27. UNOPS launched a global shared service centre in Bangkok in January 2016, after an internal review identified increased effectiveness and efficiency of transactional service delivery as a top priority. It was launched parallel to a new enterprise resource planning system, OneUNOPS, which is intended to serve as an organizational platform for increasing

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<sup>6</sup> JIU/REP/2009/6, paras. 14-16, 47 and 48.

<sup>7</sup> WFP informal consultation, Update on the Cost Excellence Initiative, 25 July 2016.

<sup>8</sup> JIU/REP/2012/6.

efficiency and as the key enabler for UNOPS to offer a broader menu of transactional services through a shared service approach.<sup>9</sup>

28. The Regional Service Centre in Entebbe was established through General Assembly resolution 64/269 within the framework of the five-year global field support strategy, an initiative of the United Nations Secretariat to “adapt service delivery to better support the global portfolio of field operations”.<sup>10</sup> The Centre was to consolidate administrative support being carried out in its missions of responsibility. It was also to host a transport and movement integrated control centre, a training facility and a range of information technology functions. The General Assembly requested that back-office functions be consolidated progressively: the number of missions supported increased from five in 2010/11 to 12 in 2016/17, and as functions and missions were added, the number of posts increased from 39 at start-up to 421. For the five years of the global field support strategy period, the centre was governed, staffed, and financed by its client missions. In 2015, the General Assembly decided to confer operational and managerial independence on the Regional Service Centre, to have it report to the Department of Field Support rather than to its client missions, and to authorize presentation of its own budget as of the 2016/17 budget year.<sup>11</sup>

**Table 1: Locations and approved staffing of existing service centres**

Organization	Service centre	Location	IP	Approved staffing		Total
				NPO	GS	
FAO	FAO Shared Services Centre 2008	Budapest	17	1	96	114
	Regional hubs	Santiago	1	—	10	11
		Bangkok	1	—	12	13
UNDP	Global Shared Services Unit 2012-2015	Kuala Lumpur	8	5	46	59
	Global Shared Services Unit 2001-2004	Copenhagen	20	—	75	95
UNHCR	Global Service Centre 2008	Budapest	118	22	271	411
	Global Service Centre (Private- Sector Fundraising) Service) 2014	Copenhagen	85	—	24	109
UNICEF	Global Shared Service Centre 2015	Budapest	56	15	244	315
UNOPS	Global Shared Service Centre 2014	Bangkok	5	—	36	41
United Nations Secretariat/ DFS	Regional Service Centre 2010	Entebbe, Uganda	154	31	236	421
WHO	Global Service Centre 2008	Kuala Lumpur	25	66	169	260

*Abbreviations:* IP, international Professional; GS, General Service; DFS, Department of Field Support.

<sup>9</sup> DP/OPS/2016/5, para. 119.

<sup>10</sup> A/70/749, annex IX, para. 5.

<sup>11</sup> General Assembly resolution 69/307, paras. 62-64.

### **C. Drivers of change**

29. The consolidation of administrative support functions and their placement in service centres has been driven primarily by the need for cost savings, but not in every case. The Regional Service Centre was put forward to reduce mission footprints, reduce the number of civilians in hazardous locations and improve effectiveness by developing greater expertise for support functions, standardizing processes and procedures and leveraging economies of scale. Human resources and finance personnel remaining in missions would focus more on mandate-enabling activities. For UNOPS, the main driver was the desire to improve the quality of transactional service and to enhance mission focus by lowering administrative demands in Copenhagen and other duty stations. The decision by UNOPS to implement its own enterprise resource planning system, and to in-source functions previously carried out by UNDP, provided the broader institutional context. FAO, WHO, UNDP (especially in the context of service centre-related measures taken during its structural change), UNICEF and WFP had cost reduction as an important consideration, but to varying degrees and at varying times they all expressed other objectives as well: improved service quality, specialization, reduced risk and enhanced mission focus. The UNHCR case is somewhat different from the others in that its focus was on relocating functions to a lower-cost location rather consolidating them from multiple providers within the organization. It also saw relocation as a vehicle for cultural change within headquarters support divisions.

30. Apart from administrative support services, some organizations are relocating substantive functions to achieve cost savings. In 2016 WHO established a centre in Budapest to support an enlarged administration of justice function. It estimated that it could provide for the increased staffing in Budapest at existing appropriation levels, or half of what would be required in Geneva (see box 6).

### **D. Main findings**

31. This review of the experience of organizations in responding to various drivers of change draws attention to certain key issues that emerge: how business cases are prepared and benefits realized; aspects of governance; and performance management, human resources management and change management. Preliminary comments on inter-agency cooperation are offered as well. In addition to addressing specific issues in subsequent chapters, the Inspector makes the following more general observations:

- (a) In consolidating service provision, United Nations organizations are heading in the right direction by considering shared (consolidated) services, services centres and the placing of such centres in lower-cost locations, which are well-established concepts that can generate, and have generated, meaningful efficiencies;
- (b) A focus on relocation to low-cost venues has tended to overshadow the distinct analysis and presentation to governing bodies of the opportunities available through business process improvement and consolidation of service delivery (shared services). This is not to suggest that such analysis, when done, did not inform decision-making (paras. 33-40);
- (c) Embedding change and realizing benefits takes both investment and time. A focus on short-term savings can be both short-sighted and counterproductive. A dominant finding is the importance of sustained leadership (paras. 128-138);
- (d) The challenges of moving to low-cost locations should not be underestimated. The loss of institutional knowledge is real, costs relating to higher turnover rates,

training and maintaining headquarters-service centre dialogue have been hard to quantify; and distinct human resources management challenges abound. While these considerations should not deter locational change, they suggest that the business case should be compelling (paras. 33-45 and 91-114);

(e) The role played by legislative bodies varies from detailed engagement at the process level to leaving broad discretion to management. As this is a function of the governance relationship between the legislative body and the relevant secretariat, a uniform approach is not realistic (paras. 80-90);

(f) Shared services benefit from active partnership between clients and service provider where each carries out its part. Customer service orientation and performance management have not been well developed, but welcome initiatives by UNICEF, UNDP, FAO and the Regional Service Centre are refocusing on customer service and continuous improvement (paras. 64-79);

(g) Inter-agency cooperation on global service centres lags behind both analogous work at the country level and the extensive cooperation that takes place on other aspects of global service delivery approaches (paras. 119-127).

32. The Inspector observes that the service centres reviewed are at the early stages of business continuity planning. In the development of more systematic plans, organizations may wish to take account of the findings and recommendations of the JIU report on business continuity,<sup>12</sup> which draws attention to the need to define criteria for prioritizing critical functions and staff, set realistic recovery time objectives, develop contingency plans for the enterprise resource planning system not being available, and test assumptions to ensure that the plan is realistic and implementable.

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<sup>12</sup> JIU/REP/2011/6.

### III. BUSINESS CASES AND COST-BENEFIT ANALYSIS

#### A. Methodology

33. Business cases of considerable variability have been developed by the organizations. UNOPS prepared a business case, including a cost-benefit assessment, for in-sourcing staff payroll and benefits from UNDP, but not for establishing the Global Shared Service Centre itself. The Inspector was informed that the outposting by UNDP of finance functions to Kuala Lumpur was supported by a business case. Indeed, UNDP reported to its Executive Board that for the structural change, considerable analytical work had been undertaken on current structures, staffing and costs, drawing on practices in peer institutions, in order to define the scope of the change, understand the baseline and set targets.<sup>13</sup> UNICEF and WFP also developed thorough business cases that included cost-benefit analysis, review of the experience of other United Nations system organizations, risk mitigation measures and location analysis. UNICEF also considered current process efficiency in the field relative to other benchmarks, the question of single as opposed to multiple centres, and measures needed to realign units after administrative functions are transferred from them. UNICEF determined that savings would be derived from a combination of fewer full time equivalents (made possible by efficiency gains), lower staff costs owing to labour arbitrage and standardization of grade levels. The Executive Director announced that the centre would have an annual net savings of \$20 million, with full payback in approximately three years. The UNHCR cost-benefit analysis also envisaged significant returns: net savings in Budapest of \$23 million over five years, and \$80 million over 10 years. FAO and WHO also had prepared business cases supported by cost-benefit analysis.

34. The proposal to establish the Regional Service Centre rested on a very high-level business case focused on the merits of shared services for non-location-dependent functions and Entebbe as a location. What exactly would be shifted there was to be defined later.

35. Although not equally applicable to each organization, several observations emerge from the business cases. One is the overwhelming weight of labour arbitrage assumptions — differences in salaries between headquarters and envisaged service centre locations — in the quantitative gains forecast. How these assumptions have held up over time is addressed in paragraphs 57 to 63 below. Another is the tendency to focus on the labour arbitrage benefits from relocation, rather than to present analysis on the different drivers that contribute to efficiency and effectiveness gains. Business process improvement, consolidation of service delivery points and relocation to a low-cost venue are distinct concepts, but they are often bundled together in the business cases. In the WHO and UNICEF cases, even where the distinction among factors is discussed, the quantitative analysis groups them together. Consultants advising UNHCR identified the merits of business process changes in some areas, but pointed out that efficiency gains alone could not match the benefits of outposting and should not be considered an alternative to outposting.<sup>14</sup> Indeed, the issue is not necessarily to choose one path or another, but rather to inform decision-making with rigorous analysis of the distinct measures that can be taken to advance efficiency and effectiveness goals.

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<sup>13</sup> DP/2016/9, annex 5. Available from [www.undp.org](http://www.undp.org).

<sup>14</sup> PricewaterhouseCoopers, *UNHCR Outposting Feasibility Study Final Report* (16 April 2007), p.4. Available from [www.unhcr.org/4625d8462.pdf](http://www.unhcr.org/4625d8462.pdf).

**36. Today's enterprise resource planning systems allow for a number of process customizations and do not drive process improvements. Business process optimization and standardization, as part of a business model for a shared service centre, is fundamental for the success of a centre.** Inefficient, duplicative and manual administrative processes that do not take advantage of what enterprise resource planning systems and complementary technology offer can be expensive. While process improvement would ideally be an ongoing commitment, organizations seeking efficiency gains are wise to develop a clear picture of what process optimization could contribute. This is part of the approach WFP has decided to follow. It would help clarify for executive heads and legislative bodies the gains available at a particular threshold of change, cost and risk of disruption, as well as provide a more seamless relocation of functions when decided upon. Business cases should also give distinct attention to consolidation of delivery points/shared services at established locations, which also offer economies of scale and provide for the specialization sought. The suggestion that these different elements be clarified is in no way a position on relocation; it is intended to strengthen the analysis and clarify options available to decision makers.

37. Another issue is that the distinction is not consistently drawn between savings that are real cash available for alternate use and time freed up. The UNICEF business case, for example, estimates that the staffing requirements for in-scope processes would be reduced from 427 to 308 full-time equivalents, but it is not clear how many posts would actually be abolished as a direct result of the service centre. While actual cash savings and freeing up time both have value, each dimension should be made clear because the measures required to realize each are quite different. The former involves actions to abolish posts while the latter requires repurposing of staff that had been spending part of their time on administrative work.

**38. In preparing business cases, executive heads should distinguish between benefits that can be attributed to process improvement, consolidation of functions and relocation. They should also distinguish between cash that would be made available for alternate uses and staff time that would be freed up for more productive work.**

39. Most organizations studied that have relocated functions strongly advocate process standardization first. An organization that has highly decentralized service provision in multiple locations may be well advised first to consolidate them at existing duty stations so as to be able to improve and standardize processes in a familiar location with knowledgeable staff. Having first reduced the number of locations and standardized the process would greatly facilitate further consolidation and relocation to a lower-cost location, should that be subsequently decided. In effect, FAO applied this approach by consolidating departmental management support units into a management support service, which later also absorbed functions from regional management support units, before locating its service centre in Budapest.<sup>15</sup>

40. Business cases also examine whether to have a single service centre or several centres in multiple locations. While there may be no single answer to whether in-scope functions should be consolidated in a single centre or distributed to more than one location, United Nations system organizations are tending to see single centres as more efficient. FAO had reached this conclusion in 2010. WHO and UNICEF also compared the options of a single or multiple centres and concluded that the latter would increase costs and managerial complexity, while reducing savings.

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<sup>15</sup> FAO document C 2005/3/Sup. 1, *Supplement to the Director-General's Programme of Work and Budget 2006-07*, para. 128. Available from [www.fao.org](http://www.fao.org).

**Box 1****Observations: UNITED NATIONS CHILDREN'S FUND**

Although it is too early to draw definitive conclusions, the Inspector considers that the UNICEF vision for its Global Shared Service Centre and the planning for it provide positive examples of wider interest. The process was thorough but protracted, partly owing to an abundance of consultation and efforts to mitigate impact on staff. High-level sponsorship was evident, as seen in the preparation of a project charter at the outset, a considered business case and a cost-benefit analysis, a strong human resources mitigation strategy, broad stakeholder engagement, including with staff representatives, an adequately resourced project team, plans for phased implementation, risk assessment and mitigation plans and change management and communications tools.

The way in which UNICEF conceived of its Global Shared Service Centre shows a high level of ambition, not only for transactional processing, but also for a centre of excellence and driver of continuous improvement. A quality assurance unit separate from operations was established to carry out business analytics functions and to contribute to improving how business is carried out throughout the organization. It is also envisaged that the service centre will take on higher-value, more complex functions such as audit, accounting and advisory services. **The Executive Director should document the experience in carrying out this vision and make it available to other interested United Nations organizations.**

The UNICEF cost-benefit analysis illuminates issues related to methodology and mechanisms to ensure that forecast benefits are captured. Its estimate of annual transactional net savings (\$20 million) bundled together the reduction in full-time equivalents resulting from efficiency gains, lower costs owing to relocation and standardization of grades at the G-5/G-6 level. These savings streams should be disaggregated to provide a clear picture of what their sources are and what needs to be done to capture each. The distinction between “cashable” (e.g. posts abolished) and “non-cashable” benefits (e.g. individual’s time freed up for other work) should also be clearer because they are not self-realizing. **The Executive Director should develop a benefit realization plan to capture envisaged qualitative and quantitative benefits. It would, inter alia, show how actual cashable savings are being realized and how functions and roles are being reconfigured to effectively deploy capacity that has been freed up.**

The performance management framework of the Global Shared Service Centre requires regular reporting to customers and includes service level agreements to define service levels, specific service level agreements for emergency contexts, documented standard operating procedure and a training programme. Baselines, however, were not prepared. Governance mechanisms through oversight committees have not been elaborated. **The Executive Director should put into place mechanisms for oversight of the Global Shared Service Centre that support the authority of the Director to pursue operational excellence and provide for accountability, direction and dialogue and feedback with policy owners and clients.**

After the start-up period, UNICEF should review the staffing complement to assess the scope for greater reliance on locally recruited expertise.

## **B. Location considerations**

41. Organizations have generally considered the choice of location carefully, but it is clear that final selection has been a judgement call, not the sum of weighted criteria. Cost alone has not been — and could not be — the principal criterion.

42. Organizations consider similar factors in weighing the selection of locations: current and foreseen staff costs; availability of the workforce required; communications and related infrastructure; and security. The criteria and considerations applied by UNHCR, FAO, WHO and WFP (for an initial limited relocation exercise) were set out in the JIU report on offshoring.<sup>16</sup> Concerning skilled staff, the value of testing assumptions on labour availability, for example by placing advertisements directly rather than relying on consultants' labour market analysis, was mentioned as a lesson learned. UNOPS chose Bangkok for its global service centre because it could build on a pre-existing human resources administration presence there. The selection of Entebbe for the Regional Service Centre reflected the opportunity to capitalize on past investment in the logistics support base located there,<sup>17</sup> and the judgement of an expert mission in April 2009 that Entebbe's proximity to client missions, labour force availability, infrastructure, safety and security and quality of life attributes met the requirements.

43. For the selection of the location of its finance shared service centre (Kuala Lumpur), UNDP considered criteria that included scalability, sustainability, value, infrastructure reliability, business disruption risk, access, pioneering/precedence and current/future operations. The location of the already long-established facility in Copenhagen had been based on a generous hosting offer by Denmark, the Inspector was informed. UNICEF carried out a comprehensive two-stage process which is documented in some detail. In addition to all the commonly applied criteria, it took specific account of the depth of the broader shared-service ecosystem in the various locations.

44. Incentives offered by host countries have proven to be important factors in final location selection. These incentives typically include no-cost office space for extended, specified periods of time; office furnishing and equipment; and utilities. Organizations also take account of the privileges and immunities, as they have an important bearing on who can be hired locally and how appealing the location is to international staff. For example, some host countries do not require that locally recruited personnel be nationals of that country, which broadens the labour pool available. The observed ability of a host country to implement a host country agreement may also be a consideration. Significant delays in implementation, not yet fully resolved, have arisen when the agreement was signed with a line ministry that was not directly responsible for implementing it.

45. More broadly, the Inspector observes that the development of service centres for the delivery of shared services is not merely a technical project, but a vehicle for business transformation, and the development of well-formulated business cases is necessarily complex. In terms of how to go about it, lessons learned by UNDP from its structural change initiative offer useful insights. One is that "it is crucial ... to combine both internal and external knowledge and expertise" to put issues on an evidence-based footing and reduce arguments based on opinion rather than facts, while contributing to enhanced rigour and speed of execution.<sup>18</sup> With respect to shared services, there is vast and sophisticated experience

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<sup>16</sup> JIU/REP/2009/6, paras. 41-56.

<sup>17</sup> A/64/633, para. 72.

<sup>18</sup> DP/2016/9, annex 5. Available from [www.undp.org](http://www.undp.org).



outside the confines of the United Nations system. While there can be no question of outsourcing the construction of the business model to external experts, drawing on expertise that secretariats cannot reasonably be expected to have can be a virtue, not a vice. The other lesson learned by UNDP is the need to see technical analysis and planning as an ongoing process rather than a punctual event,<sup>19</sup> such as an adopted business case implementation plan. This is why dedicated attention to the planning and development of a service centre to test assumptions, adjust to new developments and elicit feedback from stakeholders is so important.

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<sup>19</sup> Ibid.

#### IV. FUNCTIONS FOR SERVICE CENTRES

46. There is a high degree of commonality among the services that organizations consider suitable and appropriate for their global service centres: they tend to be high-volume, rules-based and location-independent. The most common functions are in the area of finance, including accounts payable, payroll (sometimes a human resources function), travel claims and basic accounting. With respect to human resources, post-recruitment servicing and contract management are important features. Training is included in a minority of cases. Corporate services such as travel management, vendor management and related master data management are also located in global service centres. The main functions carried out in the global service centres are shown in table 2 below.

47. Each organization forms a view of what functions need to be retained at headquarters, which are location-independent and which are location-specific. Experience shows that determining what functions can be placed in service centres is an iterative process, as practical experience is gained. For example, WHO brought back to Geneva aspects of human resources administration when it found those features to require more institutional understanding than was available in Kuala Lumpur. Staff recruitment, which it was initially thought that the Regional Service Centre could carry out on behalf of missions, reverted to missions in view of their need for sustained engagement in staff selection. Of course, not all location-independent administrative functions are considered suitable for relocation, such as budget functions which managers feel the need to keep close to them.

48. Analysis of location dependence requires careful attention. One manifestation of the issue is the case of FAO, which developed a multi-location service centre model to provide for time zone coverage, a view it changed in light of experience. A different example is offered by the Regional Service Centre. The analysis of which functions needed to remain in missions and which could move was binary — either mission or service centre. The question of which mission functions truly required regional proximity was not considered at the time. The Secretary-General's subsequent proposal to consolidate education grant processing on a global level illustrates that certain transactional services could be carried out anywhere.

**49. Executive heads should ensure that the analysis of location dependence carefully assesses what truly requires regional presence and what can be handled globally. They should also ensure that the identification of functions for transfer is based on detailed understanding of the tasks and judgements required to carry them out and the readiness of service centres to discharge them.**

**Table 2: Functions carried out by service centres**

Business Processes	Organization/service centre						
	FAO SSC	UNDP GSSU	UNHCR GSC <sup>a</sup>	UNICEF GSSC	UNOPS GSSC	RSCE	WHO GSC
	Budapest	Kuala Lumpur and Copenhagen	Budapest and Copenhagen	Budapest	Bangkok	Entebbe, Uganda	Kuala Lumpur
Accounts payable	✓	✓	✓	✓	✓	✓	✓
Accounts receivable		✓	✓				✓
Asset accounting		✓	✓	✓			
Bank reconciliation		✓	✓	✓			✓
Accounting functions	✓	✓	✓	✓		✓	✓
Management report and analysis			✓		✓		✓
Payroll		✓	✓	✓	✓	✓	✓
Travel claim settlement	✓		✓		✓	✓	✓
Global banking maintenance	✓		✓				
Financial advisory services			✓				
Financial reporting			✓			✓	✓
Benefits and entitlements	✓	✓		✓	✓	✓	✓
Contract management	✓	✓			✓		✓
Human resources administration	✓	✓	✓		✓	✓	✓
On-boarding/off-boarding	✓	✓		✓		✓	✓
Information technology help desk/support/management			✓	✓			✓
Asset management	✓		✓				
Procurement			✓				✓
Travel services	✓				✓	✓	✓
Vendor management	✓	✓			✓	✓	✓
Other			✓			✓	

<sup>a</sup> The functions represent the sum of functions performed by the Copenhagen and Budapest centres.

*Abbreviations:* SSC, Shared Services Centre; GSSU, Global Shared Services Unit; GSC, Global Service Centre; GSSC, Global Shared Service Centre; RSCE, Regional Service Centre in Entebbe.

**Box 2****Observations: UNITED NATIONS DEVELOPMENT PROGRAMME**

The efforts by UNDP to improve the efficiency of administrative support services respond to its need to place its operating model on a more sustainable and affordable footing. Several interconnected processes are under way, of which global shared services are a component, but not the whole story. **In assessing these further changes, the Administrator should ensure that decisions are based on business cases that set out the costs and benefits to be realized and identify measures of progress.**

The creation of a Global Shared Services Unit (2016) to unify management of the finance service centre in Kuala Lumpur and the human resources centre in Copenhagen was a significant positive step to reinforce focus on customer service and end-to-end service delivery. The Inspector noted that some personnel in the two service centres report directly to the functional units in headquarters rather than to the centre manager, which makes management of centre personnel a challenge. **As experience is acquired, the Administrator is urged to keep these arrangements under review with a view to enabling centre managers to manage a variable workload by redeploying personnel to required tasks as needed.**

Information on the impact on staff of the relocation of finance functions to the service centre was not provided to the Inspector, beyond the fact that the people realignment policy and procedures were applied. Looking ahead, additional measures for the consolidation of administrative service delivery may have staff implications. The lessons learned from the structural change and the related observations made by the United Nations Board of Auditors should be considered.<sup>a</sup> Although organizations are different, UNDP might benefit from an examination of how UNICEF managed the staff implications of the move to Budapest.

Tools to support customer service and performance management are not sufficiently developed. Personnel in the two centres called for: an integrated case management system to track issues; reduction in the laboriousness of bank reconciliations stemming from reliance on e-mail communications, and for the use of commercial services to support accounts payable.

**The Administrator is also encouraged to consider establishing a quality assurance function within the Global Shared Services Unit, separate from operations, to support learning and continuous improvement of business processes and customer service.**

The Inspector was informed that it is in the Administrator's purview to determine administrative structures and processes and that UNDP is held to its strategic plan and efficiency goals. **The Administrator in the context of the proposed budget for 2018-2021, should inform the Executive Board on the progress made in achieving management service efficiencies, which the Administrator has described as "an ongoing issue".<sup>b</sup> This should include information on the rationale for the changes made or envisaged, and the measures of efficiency and effectiveness gained.**

<sup>a</sup> A/70/5/Add.1, paras. 128 and 129.

<sup>b</sup> DP/2016/9, annex 5, p.1. Available from [www.undp.org](http://www.undp.org).

## V. BENEFITS REALIZATION

### A. Benefits reporting and realization

50. In examining the reaping of benefits, it should be noted that since the UNICEF and UNOPS service centres are still in the process of going into full operation, neither organization is in a position to report on the accrual of anticipated benefits. The UNDP shift of finance functions to its service centre in the Kuala Lumpur area was carried out as part of its structural change, which UNDP reported to its Executive Board had yielded \$33 million in annual savings from staff costs and office space.<sup>20</sup> After restating estimates previously reported to the General Assembly,<sup>21</sup> the Secretary-General, in the light of queries raised by the Board of Auditors,<sup>22</sup> reported that the Regional Service Centre element of the global field support strategy had achieved net savings of about \$25 million from 2010 to 2015.<sup>23</sup>

51. FAO, WHO and UNHCR no longer report regularly on the benefits realized in relation to initial assumptions. With respect to savings, the basic method has been to compare the staff costs in service centre locations to what they would be in Geneva or Rome.

52. For example, FAO reported in March 2011 that the expected savings from its service centres (in excess of \$10 million per biennium) had been realized.<sup>24</sup> The basis of the calculation was the comparison of standard staff costs in Santiago, Bangkok and Budapest with those in Rome. As the relative differentials have not changed, on that basis very substantial savings have been realized. WHO points out that, as the development of its enterprise resource planning system and its global service centre were so closely interrelated, it is difficult to clearly separate either the costs or the resulting benefits. But as one method, it compared the cost of all administrative staff in Kuala Lumpur with the cost that would have been incurred in Geneva and other locations from which transactions had been transferred. It estimated biennial cost reductions of \$30 million, as of late 2012.<sup>25</sup> UNHCR in 2009 calculated what it referred to as annual “theoretical savings” of \$7.9 million resulting from its initial discontinuation of 129 posts in Geneva, compared to what those same posts would cost in Budapest.<sup>26</sup> They are theoretical because UNHCR added posts in Budapest beyond the 129 that had been discontinued. Over time, more functions were added and the only cost-based measurement applied was comparison of Budapest costs with what the same capacity would have cost in Geneva.

53. While there may be a superficial level of automaticity in realizing savings based on labour arbitrage, comprehensive approaches to benefit realization are less common. Several measures can strengthen benefit realization. **Executive heads of United Nations system organizations, in pursuing administrative support service reform, should develop benefit realization plans that set out accountability for realizing benefits and update them as features of implementation strategies.** Benefit realization plans are important because many benefits are not self-realizing; they require active management. For example, the UNICEF business case includes increased process efficiency, reduction in the number of posts and freed-up time being put to more productive use, as well as saving from a lower-cost location.

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<sup>20</sup> DP/2016/9, annex 5. Available from [www.undp.org](http://www.undp.org).

<sup>21</sup> A/69/751/Rev.1, table A.5.

<sup>22</sup> A/70/5 (Vol. II), para. 314 (b).

<sup>23</sup> A/70/749, table 8.

<sup>24</sup> FAO document FC 138/15, para. 64. Available from [www.fao.org](http://www.fao.org).

<sup>25</sup> CEB briefing note CEB/2014/HLCM/3A. Not publicly available.

<sup>26</sup> EC/60/SC/CRP.3, annex II. Available from [www.unhcr.org](http://www.unhcr.org).

In the same vein, if transaction efficiency is sought, attention needs to be paid to improving the quality of input from clients, as WHO has pointed out, as well as to how the service centre carries out its part.<sup>27</sup> Each of these different elements requires distinct management actions if it is to unfold. A benefits realization plan is therefore valuable not only to identify benefits and track achievements, but to help plan a path for their realization.

54. Another lacuna is that baselines are rarely defined at the outset. Such baselines may not be required to define the desired to-be state, but they are very helpful in defining the scale of improvement sought and for assessing progress along the way. For example, key performance indicators for service delivery by the Regional Service Centre could not be related to what missions had done before because they had not developed such targets. And when a client satisfaction survey was belatedly carried out in 2013 to create a baseline for the Regional Service Centre going forward (these are now carried out on a regular basis), there was no way to know what customer satisfaction had been under prior arrangements. At FAO, 46 of 57 performance indicators were found not to have a baseline or a target.<sup>28</sup> **Baselines for process efficiency, cost and service quality should be defined.**

55. It is observed that reporting and intergovernmental consideration of benefits dwell heavily on quantitative aspects — savings — possibly because they lend themselves more readily to measurement. This makes it difficult to come to an integrated and balanced view of what benefits have been realized and how to appraise accomplishments overall.

56. Performance targets are not anchored in well-defined standards or benchmarks connected to the outside world. They are often based on past experience or what organizations think they can deliver. These may be realistic points of departure, but forward-looking targets should draw on real comparators, including potentially alternate service providers.

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<sup>27</sup> CEB/2014/HLCM/3A, p.8. Not publicly available.

<sup>28</sup> FAO, Office of the Inspector General, *Shared Services Centre — Budapest* (September 2010) (AUD 1710), para. 21. Not publicly available.

**Box 3****Observations: FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS**

The Shared Services Centre in Budapest has had achievements in consolidating its responsibilities, increasing the volume of transactions and widening the scope of its services. This was accomplished despite the fact that the last six years have been unsettling, with numerous managers and instability resulting from high levels of staff turnover.

At the same time, it would appear that after its establishment the Shared Services Centre lost the focus of senior management. Neither the completion of unfinished business, such as filling in gaps in the performance management framework and improving fractured business processes, nor the future development of the centre, were systematically addressed. The move to Budapest took on the appearance of focusing on immediate savings rather than ongoing improvement, operational efficiency and effective client support.

Human resources management has been a major challenge, in particular General Service staff turnover owing to low grade levels and the appeal of new service centres operated by UNHCR and UNICEF. At the end of 2015, the Shared Services Centre had a 60 per cent vacancy rate. Measures such as applying a headquarters staffing freeze to Budapest at a time when Budapest was haemorrhaging staff compounded the challenge; senior management action in response to repeated entreaties was long delayed.

Important measures have been taken over the course of the past year to improve governance, raise the profile of the Shared Services Centre in the organization, appoint new leadership to the centre, change the staffing structure, recruit new staff and improve customer service. These measures, together with a review of additional functions for placement in Budapest, the establishment of a performance, quality and administration management unit and the application of an end-to-end perspective in service delivery, bode well for the revival of the centre.

**The Director-General, in reviewing additional functions for the Shared Services Centre, should take into consideration opportunities to consolidate the remaining related functions carried out in the regional hubs.**

## **B. Labour arbitrage analysis<sup>29</sup>**

57. Since many of the business cases developed by United Nations system organizations for their service centres drew heavily on lowered labour costs resulting from relocation, the Inspector looked into how the salary differentials applied in the business cases have held up over time, using the salary scales at step 4 of the G-5 and P-3 levels (commonly used grades)

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<sup>29</sup> The rates of exchange and post adjustment multipliers in effect at 1 June of the year in question are applied in this section.

as reference points. It turns out that those differentials have been sustained, or even improved, over time. Figure 1 below displays changes in salary level over time by duty station.

58. For example, when FAO proposed to establish its shared service centre, a midpoint of the General Service salary scale in Budapest was 32 per cent of the level in Rome.<sup>30</sup> By comparison, at the beginning of 2016, the G-5 in Budapest was 33 per cent of the Rome level. Like the FAO centre, the UNHCR centre went into operation in Budapest in early 2008. At that time, a G-5 salary in Budapest was 31 per cent of one in Geneva. In early 2016, it was even lower — 19 per cent — so that the salary of one G-5 in Geneva was equivalent to that of five in Budapest. In the case of WHO, which started operations in Kuala Lumpur in 2008, the relative salary differences with Geneva have also improved. A G-5 salary in Malaysia in 2008 was 19 per cent of the Geneva counterpart, while at the beginning of 2016, it had fallen to 13 per cent. (Not all of the capacity that went to Kuala Lumpur was from Geneva.) To the extent that salary differentials were a factor in the UNDP decision to establish a finance service centre in Kuala Lumpur, in 2012, those have also been sustained so far. In 2012, a G-5 salary in Malaysia was 33 per cent of the New York level, while in 2016 that had fallen to only 23 per cent. UNOPS started operating its global service centre in Bangkok in 2016, so changes over time cannot yet be seen. The current difference in salaries is significant: a G-5 salary in Bangkok is 45 per cent the Copenhagen salary. It is evident that the salary differences are very substantial and, over time, the relative relationships have been sustained.

59. The differences in the salaries of international Professional staff are far less dramatic, and their numbers are relatively small in transactionally focused service centres, but they are significant for organizations like UNHCR that have outposted training, supply and other non-transactional tasks. Here too, the differentials have been sustained. In 2008, the salary of a P-3 in Budapest was three quarters that of Geneva; in 2016, it is less than two thirds. The P-3 salary in Malaysia in 2012, when UNDP established its centre, was 86 per cent of the New York level; it was about 75 per cent in 2016. When FAO started operations in Budapest, the P-3 salary was 95 per cent that of Rome. In 2016, it was 84 per cent.

60. In view of the growing importance of NPOs, how their salaries compare is also relevant. The relationship of NPO salaries with those of international counterparts varies significantly by duty station. For example, the salary of an NPO at the C level in Budapest is 65 per cent of that of a P-3, while in Kuala Lumpur, it is 43 per cent. The actual differences in costs to the organizations are much greater than the differential in salary, because the significant cost of international benefits need to be factored in. The difference in salary between senior General Service staff and national officers also merits notice. In Entebbe, for example, an NPO at the A level — the lowest national officer grade — was in 2016 paid double the salary of a G-6. This helps to explain the interest of service centre managers in the use of national officers as a cost-effective means of carrying out professional functions in a manner that provides pathways for staff retention and career progression.

61. Staff salary levels would indicate that Copenhagen is not a labour arbitrage location. Its local staff salaries are appreciably lower only than Geneva's, but if labour arbitrage was the driver, other locations would offer significantly lower staff costs. Organizations locate in Copenhagen for a variety of other reasons, and take into account host-country incentives. The Inspector did not explore the basis for the United Nations presences there, of which only one is an administrative support service centre, and that UNDP operation has been in Copenhagen for a long time.

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<sup>30</sup> FAO document CL 131/18, para. 90. Available from [www.fao.org](http://www.fao.org).





**Box 4****Observations: OFFICE OF THE UNITED NATIONS  
HIGH COMMISSIONER FOR REFUGEES**

The Global Service Centre in Budapest is not, and was never presented as, a shared service centre that consolidates functions from multiple nodes of the organization. In large measure, it has been a vehicle to reduce the UNHCR presence in Geneva, save costs through labour arbitrage and grow necessary services that were too expensive to develop in Geneva. Units were outposted, sometimes with restructuring, but basic structures and reporting lines remained intact.

Interviews with UNHCR personnel revealed a high degree of satisfaction with how the outposting to Budapest has functioned. Satisfaction with the local staff hired and greater service orientation contributes to this, as does the fact that the organization did not have to adapt to radically new structures or methods of work.

**Enthusiasm is not unqualified. The tasks carried out in Budapest are not all transactional and senior managers in Geneva point out the extra costs, travel and time consumed by the need to ensure that outposted staff in sensitive functions are in line with management thinking and producing quality products.**

Recently, Copenhagen was also designated a global service centre. Private-sector fundraising was consolidated from several locations and placed there.

The determination of the High Commissioner to reduce the Geneva footprint and spend less on the organization itself illustrates the impact that leadership can have in driving change. The measures UNHCR has taken to ramp up programme delivery and improve its structures and systems, while containing management costs, indicate an ongoing process of organizational improvement.

Decisions on where to place functions are taken on short-term horizons through an annual planning cycle. While UNHCR is an operational organization that needs agility to adapt to new developments, it is difficult to apply a strategic approach to the development of the organization and the placement of functions on so short-term a planning horizon.

**With a view to building on the accomplishments to date, the High Commissioner should develop a multi-year perspective on the structure and recurring cost requirements of UNHCR so as to enable decisions on the location of organizational units to be less subject to opportunistic judgements made under the pressure of annual cycles. The basis for the development of Copenhagen as a global service centre should also be elaborated.**

## VI. PERFORMANCE MANAGEMENT AND MEASUREMENT

64. Organizations have indicated that cost savings, improved efficiency and quality of services are among the major drivers for change in the delivery of administrative support services. The Inspector therefore looked into whether and how performance is assessed on an ongoing basis. The Inspector found that organizations use service level agreements, service catalogues, standard operating procedures or simply their intranet pages to communicate the service standards to their clients. Terms such as key performance indicators or service level indicators are used for the statements of turnaround times for the services provided. There is a general lack of baselines for performance indicators, both in terms of the processes and customer satisfaction, which means there is that often no point of departure against which to measure change.

65. Moreover, none of the centres have adequate tools for measuring performance. Some of the long established-centres are considering investment in systems that would allow case management and automated, real-time monitoring of performance (FAO, UNDP), while newly established centres are still in the process of designing and implementing their performance management function (UNICEF, UNOPS). The rest are relying on internally designed tools, such as Excel sheets, which require manual labour and are prone to errors, or on laborious extraction of data from their enterprise resource planning systems and other systems (WHO, Regional Service Centre). Therefore, reporting on the indicators is a significant and costly effort. Some centres do not have full confidence in the data they are reporting given the manner in which they are obtained. An additional challenge service centres face is obtaining complete and accurate inputs from their clients on time, and therefore there is a high rejection rate.

66. In view of the particular challenges that are consequent to replacing previous person-to-person service with remote interaction with often anonymous service providers, the issue of customer relationship management is attracting greater attention. FAO is establishing a single point of contact for clients. The service quality management section of the UNICEF Global Shared Service Centre is responsible for client relationship management and related communications. Monitoring and reporting of service level agreements is carried out by service delivery area for each client office. The Centre is also tasked with promoting an environment of continuous improvement in all global service delivery areas through analysis of its processes, technology and staff capacity to determine opportunities to improve performance and efficiency, strategic planning and monitoring.

67. The WHO Global Service Centre issues quarterly performance reports to its clients which provide information on volumes, productivity, costs, backlogs and rejection rates and updates on the main achievements, issues and activities of the Centre. The challenge is in the manual tracking of the scores, which distracts from the actual work. Human resources services, for example, have 53 distinct operations that are measured; there is a system in place, but it is not fully automated. Other services have even fewer automated reporting functions. Although turnaround times are used to indicate to the clients what they can expect, the centre does not have performance indicators, despite having been in operation for over 10 years. The new governance mechanism group is in the process of defining key performance indicators.

68. The FAO Shared Services Centre used to track caseload and performance against approximately 27 service level agreements covering services in the areas of travel, accounts payable, vendors, help-desk/user support, human resources services and asset management. The centre used internally designed tools, such as Excel sheets, which in the absence of other tools enabled it to report annually on its performance to the key stakeholders. According to

the centre's estimates, approximately 20 to 30 per cent of staff time was spent on tracking numerous indicators. Since the centre experienced severe staff shortages and in view of the labour intensity of the process, the new centre management discontinued the manual tracking of service level agreements. Until a new case management tool is available in 2017, the data and statistics obtainable from the enterprise resource planning system will be used.

**Box 5**

**Observations: UNITED NATIONS OFFICE  
FOR PROJECT SERVICES**

The functioning of the Global Shared Service Centre is still at an early stage and is still stabilizing as the centre prepares to take on additional functions. The simultaneous launch of the enterprise resource planning system and the centre brought implementation challenges. Integration of case management into the enterprise resource planning system and automation of routine tasks, such as letters of appointment, remain to be completed.

A large percentage of UNOPS personnel are engaged under the terms of an individual contractor agreement, which means that they are not "staff". As reported by the United Nations Board of Auditors, the flexibility of the individual contractor agreement modality helps UNOPS to realize its project delivery mandate. It also enables UNOPS to hold down costs and avoid the liabilities associated with the United Nations staff model (including dependency and mobility allowances, pensions and after-service medical insurance). UNOPS analysis shows that an international staff member costs the organization about twice as much as an equivalent international individual contractor. Significant savings, though not as high, are also apparent when comparing equivalent national staff and individual contractor grades. UNOPS believes that this modality, which can be tailored to the needs of clients and allows for rapid scalability, is one of its comparative advantages.

The performance management framework remains to be fully developed. Service delivery standards and key performance indicators need to be clarified.

Business analytics is carried out by the People and Change Management Group rather than the Global Shared Service Centre. **The role of the manager of the Global Shared Service Centre in driving process improvement and service delivery, and the tools required for that, should be clarified.**

69. In any event, the FAO Shared Services Centre believes that currently, service level agreement performance statistics do not tell a full performance story. While the centre might be processing the transactions quickly, that does not mean that all processes in an end-to-end service are working well or that the customers are satisfied. This is because some service level agreements do not cover the whole workflow, only fragments that the Shared Services Centre carries out, while others are cross-functional and measure more than what the Shared Services Centre can influence directly. Additionally, the FAO Inspector General has pointed out that not all processes of the Shared Services Centre are covered, and much of the Budapest workload falls outside the service level agreement framework.

70. The UNDP centre in Copenhagen reports on what are seen as the most important processes, while the centre in Kuala Lumpur reports against all the service level agreements and also on rejection rates for the country offices. In order for the Global Shared Services Unit to know internally if it is reaching its own targets, it needs improved benchmarks and

tools integrated with the enterprise resource planning system to support customer service and a case management system to track issues.

71. The UNICEF Global Shared Service Centre plans to operate with continuous real-time and transparent measurement of its performance against a range of relevant and accepted service level agreements using the latest tools available in the market. As part of the transition, the centre is reporting service level results on a weekly basis; the dashboard reports include weekly, monthly and inception-to-date performance reports.

72. The Inspector found that the organizations have not conducted baseline customer satisfaction surveys to provide a basis for comparison. The first annual client satisfaction survey for the Regional Service Centre was carried out in 2013. The UNDP service centre in Kuala Lumpur has been surveying its customers on an annual basis, while Copenhagen started this practice in 2016. Although there is regular monitoring and reporting on the performance of the UNICEF Global Shared Service Centre against service level agreements, a mechanism for structured feedback from clients, especially in field offices, has not been articulated, beyond the extensive informal dialogue that takes place. The long-term plan is to fully implement a customer satisfaction survey process. In addition, independent customer feedback would be useful to assess the quality of services delivered by the centres to other United Nations entities.

73. In future, the FAO Shared Services Centre plans to focus more on customer service and on the processes that are within its direct control, while recognizing that service centre efficiency does not guarantee effectiveness because it does not control the whole customer service process. The WHO Global Service Centre plans to use customer relations management software, which will allow it to capture customer demands from the point of entry to the solution. The current system is inadequate in the sense that when a problem is resolved, the background documentation is contained in various email messages; the new software will preserve all solutions as institutional knowledge.

74. The Regional Service Centre reorganized transactional services in January 2014 into 10 cross-functional service lines on an end-to-end basis, rather than by functional groups, such that, for example, the human resources and finance dimensions are brought into the same service line. This effort to provide and measure services through the lens of how a client experiences them is an innovative initiative which should be tracked and assessed. It is important to gain a view, based on experience, of how to capture a true end-to-end process, including the elements that are not in the control of the service centre; of whether pre-existing systems such as enterprise resource planning system can more effectively enable such approaches; of the skill sets required, as functional specialization may need to be broadened; and of the implications for organizational structures conventionally organized on functional lines.

75. In FAO, the business analytics used to be captured by the individual units, analysed and reported to the head of the Shared Services Centre by the respective unit managers on a monthly basis. Monthly reports were then consolidated into an annual report and published for stakeholders. FAO is, however, implementing a reform of the centre that includes the introduction of automated monitoring systems to enable real-time assessment of performance, as well as the establishment in the centre of a performance, quality and administrative unit to support performance measurement. In the UNDP Global Shared Services Unit in Kuala Lumpur, the business analytics team is responsible for performance measurement, while the team in Copenhagen does not have a separate analytics function. The Global Shared Services Unit is considering establishing a quality assurance and client account management function

separate from operations that would analyse the data and interpret performance against the service level agreements.

76. The Regional Service Centre has laid the groundwork for application of the concept of continuous improvement by creating a quality assurance unit that carries out business analytics functions for the centre. The unit has the potential to provide significant support for management efforts to assess performance and discern opportunities for process improvement and to help both the centre and its client missions to improve business operations by examining the transactions that are performed and the problems that arise from them. Currently, the quality assurance unit focuses on generating performance reports showing the centre's achievements against key performance indicators. Owing to the laborious processes used to track the indicators in the absence of effective automated business intelligence, half the time of this five-person team is consumed in generating the performance reports.

77. The Inspector notes with interest the establishment of quality assurance functions separate from operations in order to analyse performance data and contribute to continuous improvement. This is a relatively new approach in the United Nations system which should contribute to the development of a culture of continuous improvement and customer service. It is important that insights gathered be fed into organizational processes for improving business operations.

78. In conclusion, performance measurement is not very well developed. This undermines accountability and the ability to improve. The lack of investment in tools and systems to support business analytics and reporting is a serious impediment. The basis for performance expectations is often not clear. Performance indicators are for the most part formulated on the basis of what organizations think that they can deliver, rather than objectively defined standards anchored in real-world experience. A singular focus on how a service centre carries out its piece of a process does not offer an informative picture of process efficiency or customer satisfaction. An end-to-end view is required, while recognizing that stakeholders should be accountable for the parts of the process they control. **In view of the centrality of customer service, client satisfaction surveys should be carried out at least annually to support both performance assessment and continuous improvement. Executive heads should also satisfy themselves that rigorous assessments of service centre performance are documented annually.**

79. The implementation of the following recommendations is expected to enhance the effectiveness, efficiency and accountability of service centres.

#### **Recommendation 1**

**The executive heads of organizations that have global service centres should define and provide the tools and systems required to support efficient tracking of customer service and the capturing of business intelligence for performance measurement and further improvement and comparison with benchmarks.**

#### **Recommendation 2**

**The executive heads of organizations that have global service centres should define efficiency benchmarks based on objective standards and ensure that performance targets are progressively adjusted to attain them.**

## VII. GOVERNANCE

80. The experience of the organizations reviewed highlights the critical importance of senior executive sponsorship to champion and drive the changes desired. The determination of the Administrator of UNDP, the High Commissioner for Refugees and the Executive Directors of UNICEF and UNOPS were by every account key factors in sustaining focus and unity of purpose among stakeholders. The absence of such sustained leadership has the contrary effect. For example, delays in the transfer of functions and staffing from missions to the Regional Service Centre illustrate the need for strong direction to pull diverging interests together (see box 7 below and para. 28 above).

81. It is important for governance arrangements to provide for a distinct organizational personality and budget. There had been two basic modes of service centre management and reporting lines: extension of headquarters and operational independence. The evolution has been in the direction of stand-alone centres responsible for service delivery. This is now applied by WHO, the Regional Service Centre, FAO, UNICEF and UNDP. UNHCR considers that the extension of headquarters arrangements continues to meet its needs. High-level managerial oversight is provided through a small management unit attached to the Deputy High Commissioner.

82. Organizations have themselves identified the need for governance arrangements to provide for accountability for service to clients.<sup>31</sup> Properly formulated service level agreements that set out performance expectations are an important feature of this. As discussed more fully in paragraphs 64 to 79 above, while progress has been made, performance management requires more systematic attention.

83. WHO, the Regional Service Centre, FAO and UNDP have all relatively recently revised their governance frameworks, while UNICEF affirms that it has now defined governance arrangements. **Governance arrangements, while subject to evolution, should be designed in the planning process, before service centres are launched.** All of the governance arrangements include committees chaired at a high management level and, either through membership or other mechanisms, provide for direct engagement of functional areas/process owners, regional perspectives (in highly decentralized organization such as WHO) and participation of the service centre manager, which was not initially the case for the Regional Service Centre. The committees have defined terms of reference that focus on strategic direction, performance review and serving as a pathway for actions needed in the organization, rather than operational details. This should reduce ambiguity regarding accountability for operational performance.

84. The governance framework for the UNDP Global Shared Services Unit identifies global leadership of processes on an end-to-end basis and designates responsibility for driving improvements. Further, the terms of reference of the Unit's Management Committee also include responsibility for promoting continuous improvement. This is important because it recognizes that continuous improvement will not happen by itself and that it is the responsibility of management to drive it. **Other organizations should consider including in the governance arrangements for service centres they manage designation of responsibility for process leadership on an end-to-end basis as well as for continuous improvement.** In both UNDP and the Regional Service Centre, the governance mechanism is comprised of leaders of the functional areas responsible (plus, for the Regional Service

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<sup>31</sup> HLCM survey 2015.

Centre, representatives of two missions on behalf of the Client Board), while other organizations also include representation from other parts of the organization.

85. UNDP, FAO and UNICEF are all taking measures aimed at improving the service centre role in making process improvements. To facilitate a multifunctional approach to service delivery, and to place emphasis on service delivery, UNDP in early 2016 brought its separate finance and human resources service centres, which had each reported to corresponding functional areas, under unified management (the Global Shared Services Unit) which reports to an operations group in the Bureau of Management Services. The Global Shared Services Unit is responsible for suggesting process improvements, but the authority resides at headquarters. FAO has consolidated managerial authority in the Budapest service centre manager and strengthened the manager's ability to expedite process improvements by drawing the distinction between process and policy ownership. UNICEF expects its new service centre to drive business improvement in the organization as a whole. **Executive heads are also encouraged to enable service centre managers to contribute to management consideration of improvements to business operations.**

86. The implementation of the following recommendation is expected to enhance accountability, efficiency and effectiveness in the functioning of service centres.

**Recommendation 3**

**The executive heads should within a year designate responsibility for pursuing ongoing improvement and for making process changes and ensure that service centre governance and management arrangements make clear the related role of service centre managers.**



**Box 6****Observations: WORLD HEALTH ORGANIZATION**

The application of standard, efficient and globally administered processes remains a challenge in a decentralized organization. The evolution of the Global Service Centre is seen as making an increasingly valuable contribution; the further development of the role of the centre in the organization has not received the required management attention. A 2012 study that identified opportunities for further efficiency gains through the further consolidation of functions in the Global Service Centre was not fully acted upon, and inexplicably, the centre lacks a performance management framework after eight years of operation.

New governance arrangements recently put in place should fill these lacunae and develop a longer-term vision for the centre.

Care is required in considering what functions should be transferred to the centre. For example, the outposting of procurement functions led to weaker controls, more audit observations and the need to reconstitute leadership in headquarters.

In 2016, on the basis of a recommendation to improve its system of administration of justice, which required more staff, WHO concluded that it could finance the new teams of 14 Professional and 7 General Service staff in Budapest for less than the existing appropriation for 8 Professional and 5 General Service staff in Geneva. The selection of Budapest drew heavily on locational analysis carried out by UNICEF for its own service centre. **WHO is urged to monitor and evaluate the success of this outposting of substantive corporate functions to help inform consideration of the wider applicability of the model.**

WHO should work toward a corporate strategy on shared services and the outposting of functions. Each initiative the Inspector encountered (the Global Service Centre in Kuala Lumpur, the administration of justice unit in Budapest and the meetings management facility in Tunis) may have its own internal logic. There should, however, be a well-thought-through approach to what is placed where, so as to diminish the weight of short-term judgements and the occasional need to make virtues of necessity.

87. The engagement of legislative bodies with respect to consideration of service centres varies considerably. The establishment of the Regional Service Centre and its staffing, resourcing and client scope were all subject to General Assembly approval. The establishment of the FAO and WHO centres was approved by their legislative bodies, while in the case of UNDP, UNICEF and UNOPS, executive heads exercise substantial autonomy with respect to administrative structures and processes. The same applies to WFP, but the Executive Director had made known that she would not proceed without the support of the Executive Board.

88. It may be neither realistic nor desirable to envisage a uniform approach. Each organization has its own institutional context, relationship between executive head and legislative body and balance between formal legislative decisions and informal consultation with Member States. There is no compelling reason to abstract decisions on service centres from the larger framework of that relationship, nor to believe that legislative bodies are

inherently better equipped to decide where administrative processes are located or how they are structured than the managers who carry them out.

89. In any event, service centres are just a fragment of the larger issue of the efficiency and effectiveness of administrative support services. In this respect, enhanced information from organizations on overall measures of efficiency can help legislative decision-making. The Advisory Committee on Administrative and Budgetary Questions, for example, had urged the Secretary-General to develop overall measures of operational efficiency in peacekeeping operations,<sup>32</sup> and UNDP, at the request of its Executive Board, has worked on an institutional scorecard to demonstrate progress with respect to organizational efficiency and effectiveness.<sup>33</sup>

90. The implementation of the following recommendation is expected to enhance the transparency, accountability and effectiveness of administrative support service reform measures.

**Recommendation 4**

**The legislative bodies, in support of their oversight and monitoring functions, should request their technical advisory bodies to examine the results, including benefits realized, of administrative service reform when considering relevant organizational budget proposals, starting with the next budget cycle.**

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<sup>32</sup> A/69/839, para. 81.

<sup>33</sup> DP/2016/9, annex 1. Available from [www.undp.org](http://www.undp.org).

**Box 7****Observations: REGIONAL SERVICE CENTRE IN ENTEBBE**

Retrospectively, it is clear that the concept reflected in the establishment of the Regional Service Centre was the right way to go. It has been demonstrated that the need for distinct financing arrangements for peacekeeping missions does not inherently require the replication of administrative structures, all the less so in hazardous environments where services and facilities are at a premium.

The Regional Service Centre is making significant efforts to measure its performance and strengthen service delivery:

- It reorganized transactional services in January 2014 into 11 cross-functional service lines
- It reports monthly on 48 key performance indicators, but no baseline information was available prior to the establishment of the centre
- Its customer satisfaction improved from a dismal 17 per cent in July 2013 to 57 per cent favourable in March 2015, still below the 80 per cent target
- It created a quality management unit for business analytics

This should help management to assess performance and support process improvement. The lack of automated business intelligence tools means that half the time of its five-person team is consumed by the laborious generation of reports on the achievement of key performance indicators. The strong headquarters management leadership and sponsorship required to drive the organizational and cultural changes to enable a nascent service centre to develop credibility and deliver on its accountabilities was not consistently provided. Delays in the preparation of an implementation plan and governance and performance management frameworks, in the necessary concurrent organizational redesign (such as for residual human resources and finance functions in missions) and in the transfer of posts and functions all underscore the point.

The governance arrangements, with ambiguity on the authority of the Chief of the Regional Service Centre, and each mission owning the centre through directors of mission support with power based in and loyalty to their individual missions, neither reinforced the objective of applying a horizontal approach to transactional services nor was conducive to breaking down silos.

Budgetary arrangements did not support the development of a coherent, integrated service centre: people, funds and assets were linked to missions of origin, which made it difficult to develop the centre's institutional culture and visibility, and for staff to have a well-defined understanding of what organization they belong to. Through its resolution 69/307, the General Assembly addressed this issue by conferring operational independence on centre and authorizing a separate budget for 2016/17.

Given challenges in relation to staffing, systems and operational tempo, a more gradual pace of adding client missions to the centre could have helped.

Intergovernmental attention focused heavily on savings and less on qualitative benefits, although they were the main initial objectives. For example, the General Assembly, in authorizing the establishment of the Regional Service Centre, called for the realization of the quantitative benefits projected in the cost-benefit analysis but did not refer to the qualitative benefits (see resolution 64/269, sect. VI, para.18), which included a reduced number of civilians in hardship or hazardous locations, improved quality of life for civilian staff and increased stability of operations through reduced staff turnover. **The attainment of qualitative benefits should be systematically integrated into results reporting of the Regional Service Centre.**

## VIII. HUMAN RESOURCES MANAGEMENT

91. The experience of organizations that have established service centres illuminates three issues: handling of affected staff; staff retention and recruitment; and national professional officers. Observations on affected staff are based on the experience of four organizations that have developed service centres since 2009 — UNICEF, the Regional Service Centre, UNDP and UNOPS.

92. Human resources management issues such as contractual arrangements and compensation are challenging to address in the United Nations system. Further, as service centres represent only a small fraction of the United Nations system workforce, their needs are not likely to drive an agenda of broad horizontal interest. The focus here is therefore on describing the challenges and offering practical suggestions.

### A. Affected staff

93. The circumstances of the four organizations vary. The focus of UNOPS was on insourcing functions that had been carried out by UNDP, so it was adding personnel rather relocating them. In the Regional Service Centre, international staff were redeployed from client missions; no international staff were separated owing to the shift of functions. The contracts of local staff whose functions were shifted to Entebbe were not renewed, without special financial provision. In UNDP, the transfer of finance functions to Kuala Lumpur was carried out in the context of the broader structural changes made in 2013-2014, and UNDP would not provide information on the number of staff affected by the finance component or how they were dealt with, beyond that the change process was governed by the people realignment policy and procedures, which, according to UNDP, included transparent processes for staff realignment and separations. The UNDP Staff Association expressed dissatisfaction with the degree of transparency in the broader process, but noted that it was able to work with management to find solutions for staff that sought its assistance, even if the solutions were suboptimal.

94. UNICEF took active measures to mitigate impact on staff, including a freeze on filling positions at headquarters to create openings for affected General Service staff, allowing them to move to vacant posts in New York well before their functions were due to be relocated (creating operational difficulties for affected units), generous voluntary separation packages and a slow phase-in of the centre to allow for more natural attrition. The UNICEF staff association expresses a reasonable degree of satisfaction with how the overall process has been managed, after the basic decision had been taken.

95. How the interests of affected staff are managed has an impact on the reputational standing of organizations as well as on staff morale. While the Inspector has no basis on which to recommend financial separation packages beyond what the applicable staff rules provide, they can obviously be helpful tools for managers. **The Inspector is cognizant of the operational challenges stemming from some of the mitigation measures taken by UNICEF, which other managers might reasonably have chosen to avoid, but believes that, taken together, the UNICEF mitigation measures and approach to staff-management dialogue on this issue offer an example other organizations can draw upon.**

## B. Retention and recruitment

96. The experience of service centres draws attention to human resource challenges that need to be managed. Each has its specific experience, but certain themes are common, such as the observation by managers that it is difficult to recruit and retain international staff because service centres are perceived as second-tier assignments that have low visibility, command little interest from senior management and contribute little to career prospects.

97. Managers also consider that low post adjustment in locations like Kuala Lumpur and Budapest results in unattractive compensation. The local currency value of United States dollar-based compensation may be adequate, but difficulties arise for staff who incur costs abroad, such as for residences and family support. Managers and staff in Budapest believe that this generic problem is compounded by the fact that ICSC treats Hungary as a hard-currency country, which, they believe, limits the scope for changes to the post adjustment index. An issue affecting Entebbe is that staff accustomed to field operations do not want to forgo the additional compensation derived from hardship, hazard and mobility allowances. The establishment of the service centre in a family duty station, the Inspector was informed, had less appeal for staff than may have been assumed.

98. Service centre managers advise that, notwithstanding the authority of executive heads to assign staff to where they are needed, forcing people to go creates its own problems such as absenteeism and low morale. They consider rewarding voluntary relocation to be more effective.

99. Local staffing presents a different challenge. In the Kuala Lumpur area, where the United Nations system is not well known, the United Nations is seen as just another employer in a competitive labour market. Lacking deep connection to the Organization, staff leave for other employers, even for only slightly higher compensation. In the Kuala Lumpur area, service centre managers consider United Nations compensation to lag the market, and that this situation was exacerbated by a reduction in 2015 of the General Service salary scale. Further, in this transactionally focused setting, a senior human resources manager pointed out that staff are more familiar with processing than with the “service” role, adding a cultural dimension that needs to be managed and nurtured.

100. Rigidities in United Nations staff contract modalities are found deficient for the service centre environment. Examples include the inability to make incentive or performance payments; the inadequacy of maternity leave in the Budapest context; and the requirement of participation in the United Nations Joint Staff Pension Fund. The Inspector was informed that local staff attach greater value to being able to direct contributions to their national social security schemes, which are portable.

**101. To the extent that concerns are shared, executive heads of organizations with service centres should work together to identify factors and issues that impede staff recruitment and retention, including the issue of pension portability and rigidities in contractual modalities; identify options for addressing them, and take these forward to competent bodies such as ICSC, CEB and the United Nations Joint Staff Pension Fund.**

102. Staff turnover in service centres is typically considerable because of demographic makeup, the repetitive nature of the work and the lack of upward mobility. Turnover rates vary, even in the same duty station. WHO in Kuala Lumpur experiences about 13 per cent, while UNDP, which is still in a growth phase, reports 5 per cent. In Budapest, these have intermittently been very high: FAO lost staff to UNHCR owing to its low grade structure and

low morale, while both lost large numbers to UNICEF. At the end of 2015, FAO in Budapest had a vacancy rate of 60 per cent.

103. Forward-looking strategies to retain and recruit in the face of turnover are required, as is the skill to manage this dimension of service centre reality. The Inspector observed innovative retention efforts. In the Kuala Lumpur area both UNDP and WHO have become recognized as offices where candidates for professional accounting certifications can obtain recognized experience and training. UNDP also offers language training to respond to staff interest. In Budapest, UNHCR allows staff to be involved through the whole life cycle of a client's needs, rather than limiting the role to a narrow transactional function. It also enables local staff to participate in missions to the field to deepen understanding of the UNHCR mission.

**104. Executive heads are urged to: (a) develop staff retention strategies and consider developing mechanisms for exchange of local staff among United Nations organizations in the same location; (b) ensure that the selection of service centre managers includes the requirement of skills to manage a high turnover environment; and (c) collaborate with other centres in the same location on outreach to prospective locally recruited employees.**

105. Managers are also seeking to provide better professional opportunities for advancement. FAO, for example, has reconfigured functions and reclassified posts. All organizations are interested in the enhanced use of NPO posts to provide a pathway for the professional advancement of national staff.

### C. Use of National Professional Officers

106. How NPOs can be used has an important bearing on the future development of service centres. NPO posts are an important feature of staff retention and career development approaches as well as a means of engaging skilled staff at a lower cost than that attached to international Professional posts. While only a tiny percentage of all NPOs are employed in service centres, the latter illustrate the need to reconsider the governing policy framework, especially since NPOs are currently used in ways that do not always conform to the policy.

107. The service centres studied for this report have about 140 NPO posts for a variety of conceptual, analytic, quality assurance, team leadership and coordination functions. According to the managers interviewed, NPOs are utilized to take advantage of the availability of educated and skilled personnel in local markets, to create better opportunities for career progression for local staff to increase the continuity and stability of staffing and to carry out functions that have no specific sensitivity requiring international Professional staff. The fact that costs are materially lower than for international Professionals is also an important consideration.

108. The NPO category was established in 1980 to address specific needs in relation to national development programmes. The criteria for the use of NPOs stipulate that "NPOs should be nationals of the country where they are to serve. ... The work performed by NPOs should have a national content. ... The functions of all NPO posts should be justified within the overall efforts of the United Nations system to increase national development and other related categories. NPOs should bring to bear in the job national experience and knowledge of local culture, language traditions and institutions."<sup>34</sup>

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<sup>34</sup> A/61/30, annex IX.

109. Service centres illustrate that organizations need locations from which to provide services beyond national boundaries, whether on a global, regional or subregional basis. In this context, the requirement that NPOs who work in such facilities should be nationals of the country where they work should be re-examined to reflect the fact that their work is not uniquely related to the country where the office is located. NPOs are the only locally recruited category with a national origin stipulation.

110. Service centres also illustrate the significant growth in the availability of highly educated and skilled workers in developing countries and countries in transition. That is one of the main reasons they are established in these countries in the first place. A more contemporary approach to how employment with the United Nations system interacts with national development, recognizing the sophistication of local labour markets, should be considered.

111. ICSC data show that significant numbers of NPOs are already employed as financial, human resources and information technology specialists who do not need national experience or knowledge of local culture, tradition and institutions to do their work.<sup>35</sup> The demand for this category of staff can be expected to grow as United Nations system organizations continue to draw more on locally available expertise. This draws attention to the need to re-examine the requirement for (or the understanding) of national content in the work of NPOs.

112. Undoubtedly, a range of issues arise, including what the current criteria refer to as the “balance between international and local professional staff, bearing in mind the need to preserve the universal character and independence of the international civil service”.<sup>36</sup> Drawing on developments at service centres, the Inspector offers two observations.

113. The phenomenon of organizations in effect going their own way if they believe policy does not keep up with their operational needs underscores the need to critically probe the rules at issue so as not to erode the common vision of the international civil service. While a focus on cost may be awkward, United Nations system organizations accountable to Member States for prudent and effective resource deployment need a compelling reason to incur double or triple the cost for capacities that can be sourced locally. This is true of all United Nations organizations, but especially those that are voluntarily funded and have far less control over their income streams. Notably, almost 90 per cent of NPOs are funded through voluntary contributions.

114. The implementation of the following recommendation is expected to enhance the effectiveness and efficiency of service centre operations.

#### **Recommendation 5**

**The General Assembly should, consequent to the current review by the International Civil Service Commission of all categories of staff, take action, if possible at its seventy-second session, to address the needs of organizations for locally recruited professional expertise for functions not limited to national content.**

<sup>35</sup> ICSC/82/CRP.3. Not publicly available.

<sup>36</sup> A/61/30, annex IX.

## IX. CHANGE MANAGEMENT

115. A dominant finding in all organizations is the importance of sustained leadership supported by effective change management to drive and embed change. Interlocutors uniformly stress that change management cannot be underestimated and call for capable, committed and sufficient resources to be deployed. With senior management sponsorship, UNICEF developed a change management framework to address communications, culture, organizational design, human resources transition and talent management. Communications and engagement with stakeholders in all locations was pursued through a variety of mechanisms, supported by a then existing Change Management Office. At UNDP, a structural change governance mechanism led by the Associate Administrator undertook a range of measures to support implementation with key stakeholders, including regular corporate communication to staff, dedicated support from the human resources team and a Staff Council liaison committee.

116. The United Nations Secretariat reports that the Steering Committee of the Regional Service Centre, made up of heads of mission support from the client missions, was a key mechanism for gaining stakeholder support. Each component of the strategy/change initiatives had activities targeted at individual stakeholders. There were different stages in the development of the Regional Service Centre, but much of the change management effort devolved to the service centre itself. Given the challenges in having the service centre accepted by client missions and the fragmented transfer of people and functions, the level of leadership, resources and support for change management was not sufficient.

**117. Executive heads should ensure the development of a strong change management process, communication plan and training programmes to facilitate the introduction of the new business model and manage resistance to change. Communication should be frequent, honest and engaging, particularly when key stakeholder groups are likely to be impacted. An inclusive approach to implementation can significantly improve “buy-in”. It should be ensured that staff understand the change in business model, especially since it usually involves more focus on self-service, processing of transactions from a distance and in different time zones, and loss of direct contact.**

118. Experience shows, however, that change management is challenging to apply, even if its importance is widely understood. Organizations often lack capacity and skills. As the Secretariat acknowledged in response to observations made by the Board of Auditors about deficiencies in the implementation of transformational initiatives, organizations need to assess whether “they have the skills and resources required to embed new ways of working and continuously manage and improve day-to-day delivery”.<sup>37</sup> A report on lessons learned provided to the UNDP Executive Board illustrates the complexity of managing change. It points to the tension between openness and confidentiality when decisions are being taken, the limited circle that were able to see the interconnection among elements of the change, and the need for rapid communication of decisions and for a neutral platform for staff to understand what is transpiring. It also emphasizes the need for greater focus on management buy-in and suggests that receptiveness to change is important enough to be considered not only a technical competency for certain roles, but could be mainstreamed into the professional expectations of all staff. The Inspector also draws attention to the United Nations Laboratory for Organizational Change and Knowledge (“UNLOCK”), a joint initiative of UNDP and the

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<sup>37</sup> A/69/5 (Vol.1), para. 35.



United Nations System Staff College that offers change management services for all United Nations organizations wishing to drive change from within.

## X. ADMINISTRATIVE SERVICE PROVISION AND THE UNITED NATIONS SYSTEM

119. Looking ahead, the emphasis in the 2030 Agenda for Sustainable Development on integrated approaches draws renewed interest to the scope for further integration as operational infrastructure supports the practical ability of United Nations system organizations to work together. In its resolution 67/226, the General Assembly had already conveyed a strong message in support of smaller administrative footprints at the country level and the consolidation of support provision. In terms of global service delivery, although HLCM has sought engagement on the topic of inter-agency service centres, the centres studied in the present report reflect virtually no inter-agency effort to plan, develop or operate facilities for common benefit, beyond traditional provision of services, such as WHO provides for the Joint United Nations Programme on HIV/AIDS (UNAIDS) and UNDP for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). HLCM states that, while none of the service centres were created to provide services to others,<sup>38</sup> with “the establishment of global service centres, the United Nations system has laid the foundation for the provision of operational services across organizations”.<sup>39</sup>

120. Extensive inter-agency collaboration already takes place in certain areas. For example, under the umbrella of HLCM, a variety of platforms for financial services, banking, foreign exchange transactions and common procurement have yielded significant savings, and common approaches in other areas are also under development.<sup>40</sup> UNDG, working in collaboration with HLCM, has been rolling out the business operations strategy, a voluntary framework for joint business operations at the country level. The Secretary-General reports that this approach has gained momentum.<sup>41</sup> Further, renewed attention is being paid to enabling organizations to leverage each other’s infrastructure through mutual recognition of each other’s processes.

121. Actual integration in the sense of more unified structures for administrative service delivery has not gone very far. At the country level, the Secretary-General reports limited success in creating integrated operational support functions, citing bottlenecks and resistance at the implementation level,<sup>42</sup> despite the clarity of the relevant provisions of General Assembly resolution 67/226. A UNDG-supported analysis of constraints for common United Nations business operations at the country level concluded that willingness and leadership at the country level could overcome such obstacles.<sup>43</sup>

122. As noted in paragraph 4 above, JIU envisages a subsequent examination of the scope for realizing efficiency and effectiveness gains through inter-agency cooperation. At this stage, however, certain challenges are already evident and merit further reflection.

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<sup>38</sup> The UNOPS centre in Bangkok was developed to support and enhance the role of UNOPS as a service provider. Entities such as UNDP and WHO, which provide services for other organizations, provide some of those through their service centres.

<sup>39</sup> CEB/2015/HLCM/11. Not publicly available.

<sup>40</sup> CEB/2016/HLCM/3. Not publicly available.

<sup>41</sup> A/71/63-E/2016/8, para. 227.

<sup>42</sup> *Ibid.*, para. 230.

<sup>43</sup> See Anders Voigt, “Constraints Analysis for Common UN Business Operations at the Country Level”, (24 May 2016). Available from [https://undg.org/wp-content/uploads/2015/02/UNDG-Constraints-Analysis-Common-Business-Operations-at-the-Country-Level\\_-May-2016.pdf](https://undg.org/wp-content/uploads/2015/02/UNDG-Constraints-Analysis-Common-Business-Operations-at-the-Country-Level_-May-2016.pdf).

123. One is how to ensure that legislative direction is applicable to all the relevant organizations. General Assembly action on operational activities for development, on the recommendation of the Second Committee, is currently the main vehicle for this direction. It does not, however, offer a complete framework because it does not provide for the full engagement and support of the Secretariat itself, which is rarely directly engaged in implementing operational activities for development. The Secretariat has important field presences in conflict and post-conflict countries, has operational service needs analogous to the development actors, and is also an actual or possible service recipient or provider, all the more so given the development of Umoja. Work on inter-agency cooperation should take all these factors into account. The engagement of the Fifth Committee, drawing as appropriate on the advice of the Advisory Committee on Administrative and Budgetary Questions, in integrating opportunities for inter-agency cooperation in its consideration of administrative support initiatives and resource proposals of the Secretary-General may be one way to complement the perspective brought by the quadrennial comprehensive policy review process.

124. A second challenge is to manage the inter-connection between country-level and global-level service delivery initiatives. The focus of the quadrennial comprehensive policy review is on the country level, but major investments are made at the corporate level, such as in enterprise resource planning systems and global service centres that should form part of the cooperative mix. Organizations define differently what processes they want to handle globally and locally, so both dimensions need to be taken into account. Leveraging each other's infrastructure need not be confined to the country-level aspect of back-office operations.

125. A third issue is the accountability relationship between legislative direction concerning inter-agency work on administrative consolidation and related integration issues and the work of CEB and its mechanisms such as HLCM — a principal institutional vehicle for this work. Neither the General Assembly nor the Economic and Social Council consider nor act on the report of CEB. It comes to them in the context of their consideration of the report of the Committee on Programme and Coordination, which considers the CEB report as a coordination item. Whether these arrangements are sufficient vehicles for dialogue and reporting and for Member States to say whether the collaborative efforts being made are a sufficient response to the direction given, merits further reflection.

126. The foregoing are among challenges for further assessment. A practical measure that can be taken now is to devote more structured inter-agency attention to administrative service delivery. All United Nations system organizations deliver administrative support services, whether they operate service centres or not. The global services centres that do exist are primarily agency-specific, and there are no mechanisms to exchange experience and collaborate on issues such as service provision for other organizations, performance standards and measurement and business analytics. The recent initiative by the Director of the UNDP Global Shared Services Unit to draw together the managers of other global service centres for informal exchange is a welcome step that should be encouraged. However, more attention is required on a system level.

**127. In this context, the Secretary-General and other executive heads should consider developing in HLCM a horizontal work stream on service centres that would complement both the work being done in networks covering functional areas and the cooperative initiatives under way at the country level.**

## XI. LESSONS LEARNED

128. The organizations were forthcoming in offering lessons learned from their experience. Drawing on the questionnaire responses and interviews, the main lessons learned that have not been covered thus far in the report are distilled below. A common point of departure is the view that establishing a shared service centre is a long-term process that takes several years to stabilize and yield lasting results.

129. *Assessment of organizational readiness.* There should be an assessment of the organization's ability to absorb change. Prioritizing and sequencing of transformative initiatives should be considered. Setting up a new service model while implementing new organization-wide initiatives, such as adoption of the International Public Sector Accounting Standards or introduction of a new enterprise resource planning system, caused significant stress on operational activities in several organizations and diverted a great deal of time and capacity.

130. *Articulation of a clear vision and objectives.* A clear vision and objectives should be set and related to the organization's strategy and vision. The objectives should be defined beyond pure cost savings.

131. *Senior leadership commitment and engagement.* At the outset, the executive head needs to articulate explicitly the importance of new arrangements for mandate delivery, in order to ensure strong and continuous support, commitment and engagement from senior management at headquarters and in all field locations. Senior management's clear and consistent reinforcement of the goals and objectives of the change initiative is necessary to avoid downstream ambiguity. The resources required to support the process need to be ensured.

132. *Programme/project management framework.* The long-term goals can get lost if the short-term challenges and day-to-day responsibilities become the focus of all attention. It is necessary to develop a well-designed plan that is closely monitored and ensures that the projects within the programme, and the programme itself, are successfully executed and the objectives are achieved. Management of the project scope is also critically important and a change control process should be established that includes provisions for documenting, reviewing and approving proposals for changes.

133. *Programme governance structure and definition of roles and responsibilities.* Sharing of responsibilities should be avoided; accountability should be clear; mechanisms should be established to ensure that goals are achieved and project team members are held accountable for their area of responsibility. Project manager/project team members should continuously assess project and implementation risks and advise the project overview/advisory committee on recommended courses of action to minimize overall project risks. Timeliness of decision-making in accordance with the agreed project plan is a high-risk factor and critical for success. Senior management should be closely involved with the project and they, as key decision makers, should: (a) meet as often as required in their respective forums to receive updates on the status of the project, inclusive of issues and risks; (b) respond rapidly when decisions are required; and (c) ensure decisions are not re-visited without due cause.

134. *Communication and training plan.* Training on new processes, policies and tools should be organized through a combination of self-paced sessions and face-to-face workshops. Ownership of the staff capacity-building and end-user training programmes should be determined and the headquarters divisions/departments whose services are part of the project should be committed to providing content and resources to execute the training plans in an effective and timely manner. The training programmes should not stop with the initial roll-out

of shared services, but rather be integrated into an institutionalized training programme covering relevant functional areas.

135. *Early development of the services blueprints.* Services to be provided with full definition of their scope, tool sets to be implemented, process splits, timing of transitions, etc., should be developed as early as possible. An unclear or too-high view of services and service levels, solutions, processes and responsibilities for delivery should be avoided. Fractured service delivery with various splits in the processes between the centre and the clients receiving the services should also be avoided. Processes should be properly understood and tested. It is inadvisable to assume that external providers will deliver on time (some organizations faced challenges with the capacity of external banking partners).

136. *Phased transition.* “Big-bang” implementation, such as the simultaneous launch of an enterprise resource planning system and service centre, has been shown to be challenging and presents operational risks that are better avoided. Transition phases can be determined on the basis of function and/or geography. The organization’s ability to recruit, on-board and train new staff is another important consideration in support of a phased approach. Furthermore, most organizations found that streamlining and standardizing processes before moving them to the centre is the preferred approach, although there is a view that redesigning processes with existing staff is usually met with resistance and that engaging new minds in re-engineering can be more effective.

137. *Performance management and client orientation mechanisms and reporting.* Communication to clients is key. Service quality management, customer services, client surveys, performance monitoring, management and reporting mechanisms for all in-scope services should be put in place from the outset. Baselines should be established with the existing service provider(s) before the transfer of functions to the centre (client satisfaction surveys, process efficiency indicators). Performance management mechanisms, such as service level agreements, should also define the limits of the services provided and the reciprocal responsibilities of clients and service providers. The tools necessary to allow for performance management and measurement should be provided for in the initial design, with provision of the necessary resources.

138. *Authority and accountability among the centres, policy owners and clients.* A clear reporting structure for the centre management should be established. Governance systems should provide both accountability and authority, without impeding the ability to make critical business decisions where the work is happening. Any steering committee established should remain strategic, not operational; operational-level decisions should be made by the service centre management.

**Annex I: Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit  
JIU/REP/2016/11**

		Intended impact	United Nations, its funds and programmes														Specialized agencies and IAEA														
			CEB	United Nations*	UNAIDS	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN-Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO	WMO
Report	For action		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	For information		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Recommendation 1		a, f, h		E				E				E	E		E			E	E										E		
Recommendation 2		f, h		E				E				E	E		E			E	E										E		
Recommendation 3		a, f, h		E				E				E	E		E			E	E										E		
Recommendation 4		a, f		L				L				L	L		L			L	L									L			
Recommendation 5		f, h		L				L				L	L		L			L	L									L			

**Legend:** L: Recommendation for decision by legislative organ E: Recommendation for action by executive head

: Recommendation does not require action by this organization

**Intended impact:** a: enhanced transparency and accountability b: dissemination of good/best practices c: enhanced coordination and cooperation d: strengthened coherence and harmonization e: enhanced control and compliance f: enhanced effectiveness g: significant financial savings h: enhanced efficiency i: other.

\* As listed in ST/SGB/2015/3.