

# **Cost Excellence: Proposals for Developing a Service Centre in WFP**



*Information paper by the Executive Director*

**World Food Programme**  
Rome, Italy

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## 1.1 *Purpose of the paper*

1. This information paper seeks to provide the Board with the essential background material on the cost excellence work so far undertaken. It also provides additional information sought during the informal consultation.
2. The paper aims to provide answers to the following questions:
  - ***What does WFP's work on cost excellence involve?*** The two main elements of WFP's work on cost excellence.
  - ***What is best practice in creating a service centre?*** Best practice in the development of service centres as identified by the Joint Inspection Unit (JIU) review of United Nations service centres; the information available on the use of service centres by other United Nations entities; and WFP's own use of offshored services.
  - ***How has WFP developed proposals in line with best practice?*** The approach used by the Secretariat to develop robust proposals for a service centre in line with best practice.
  - ***What functions and processes could be moved to a service centre?*** How WFP has sought to identify the functions and processes to be moved and what is currently in the scope of the project.
  - ***What is the timeframe for project implementation?*** The current plans in terms of the implementation of a service centre.
  - ***How has the business case been developed and updated?*** The business case used to determine whether a service centre provides value for money including: the underlying assumptions on which the business case is based; how risks have been identified, assessed and managed; location analysis; and non-financial costs and benefits.
  - ***What are the estimated costs and savings?*** The latest estimates of costs and savings.
3. The paper includes two annexes which provide further details about:
  - **The methodology developed to assess the optimum location for a service centre.** This explains the detailed methodology used to ensure that the selection of a location for a service centre represents best value for money for WFP. (Annex 1)
  - **The detailed risk assessment used to manage key risks** to be addressed during the project, the mitigating actions put in place to address these risks, and the way in which these costs are reflected in the business case/financial model. (Annex 2)

## **1.2 What does WFP's work on cost excellence involve?**

4. It is essential that WFP demonstrates value for money to its donors, the more so because it is 100 percent voluntarily funded. Over the past year, the Executive Director has challenged the organization to find ways to achieve cost excellence.
5. Cost excellence focuses on seeking out concrete ways that WFP can change the way it works to achieve savings that can be redirected to its core work in ending hunger. WFP must take advantage of every opportunity to strengthen the way it works by reducing its costs. This means that cost excellence must focus on the two main elements of WFP's overheads – payroll and non-payroll costs.
6. There are two main areas of work thus far on cost excellence:
  - **The global support costs analysis.** A detailed and extensive review of non-payroll global support costs (i.e. travel, facilities, utilities etc.) to identify and systematically explore the scope for achieving better value for money for these overhead costs.
  - **Service centre feasibility review.** A feasibility study to explore and quantify options for creating a service centre to both achieve savings in payroll costs and generate additional efficiencies.
7. While this paper focuses on WFP's feasibility analysis for a service centres, it is important to emphasise that this is only one part of WFP's two-pronged approach to cost excellence.

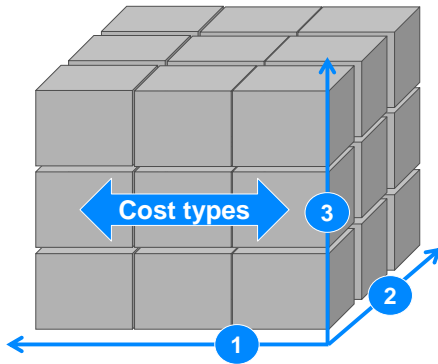
### **1.2.a Global support costs analysis**

8. The cost excellence initiative has identified several areas where WFP could work in more effective and/or cost efficient ways—allowing the organization to redirect resources to activities that are more directly related to the needs of those we serve.
9. The cost excellence team has looked into the main drivers of direct and indirect costs in WFP to see if savings could be made without reducing the quality of services. The emphasis is on how to achieving better value for money for each type of goods and services.
10. The different types of WFP's support costs have been categorized and assessed across three dimensions – funding, time and location. This is the first comprehensive mapping of all WFP's support costs in this way. (Figure 1)

Figure 1: Extensive mapping of WFP's global support costs

**WFP's global support costs have been assessed across 3 dimensions: funding, time and location**

Cost "cube" captures all relevant cost types along three dimensions



**Key Comments**

- 1 Funding:** Categorize costs according to source of funding
  - PSA
  - Trust Funds
  - Special Accounts
- 2 Time:** Categorize costs according to time
  - Financial years 2012-2014 in scope
- 3 Location:** Categorize costs according to location
  - HQ vs Field

Cost categories were analyzed according to non-payroll and high-level payroll

- 11. In 2014, WFP spent USD 389 million on direct and indirect non-payroll support costs across all sources of funds (Projects, PSA, Trust Funds, etc.). Some of the major cost categories are in the areas of facility management, duty travel, IT service and equipment, as well as commercial consultancy services.
- 12. Working closely with business managers and experts, the cost excellence team carried out a rigorous analysis of each of the major areas of non-payroll costs noted above (Figure 2). This has identified a range of opportunities for future savings, which will be implemented over the course of 2016 and 2017.

Figure 2: The three main elements of WFP's approach to global support costs analysis

**Approach used to identify opportunities to optimize global support costs**

Identify major cost categories	Conduct deep dive on main cost categories	Investigate cost optimization opportunities

- Determine areas for deep dive based on potential for savings
- What are the major **cost buckets** within each category?
- Which **divisions/offices** are major drivers of the costs?
- What has been the trend in costs **over time**?
- Holistic view in determining cost optimization opportunities to pursue
- **Selected opportunities** will be handed over to cost owners for implementation





13. While the majority of impact is expected on project related costs, WFP expects that PSA savings of approximately USD 2.5–3 million are likely to be achieved by 2017. This represents some 4–5 percent of total PSA expenditure in these areas in 2014 (USD 51.5 million).

#### **1.2.b Service centre feasibility review**

14. Service centres have been used by many organizations for over 30 years to address one or a number of business drivers:
  - to increase the quality and effectiveness of support activities by managing these in a consistent and client focused manner;
  - to achieve economies of scale by bringing common activities together in one location;
  - to increase the mission focus of front line staff by removing activities that distract from operational goals;
  - to minimize the costs of overhead activities such as processing, customer and operational support by moving these activities to a lower cost location.
15. While it is often easier to measure and justify a shift to service centres in cost terms, the more difficult to quantify benefits that can be gained in the quality and effectiveness of support activities should not be overlooked.
16. Globally there is more than 30 years of experience in the development of offshored service centres in the private sector. The Boston Consulting Group provided initial support to WFP's feasibility work, which included examples of four major companies who have undertaken major offshoring and generated significant cost reductions (Figure 3). A key feature of such offshoring is that these also sought to realise major non-financial benefits:
  - improved customer satisfaction through increased service quality;
  - better demand management through clearer processes;
  - greater standardization and harmonization of best practice;
  - separating the front and back office to ensure that local operating units focused on generating new business (value creation);
  - reducing the complexity of business processes.

Figure 3: Private sector examples of the use of service centres

Service centres have been widely used by private-sector companies since the 1980s to obtain savings and efficiency

				
<b>HQ Location</b>	Cincinnati, Ohio, USA	Düsseldorf, Germany	Copenhagen, Denmark	Palo Alto, California, USA
<b>SC Location(s)</b>	• Manila, Philippines	• Bratislava, Slovakia • Manila, Philippines • Mexico City, Mexico • Bangalore, India	• Manila, Philippines • India (Mumbai, Pune, Chennai) • Chengdu, China	• Bucharest, Romania • Cyberjaya, Malaysia
<b>Functions offshored</b>	• Finance • HR • IT • Procurement • Facilities	• Finance • HR • IT • Purch. + Controlling • Admin. Support	• Commercial • Finance • Operations • Sales • Support	• Accounting • IT • Procurement • Customer Service • HR
<b>Non-financial benefits</b>	• Improvement of <b>customer satisfaction</b> • Optimized <b>demand management</b> due to <b>clear process structure</b>	• <b>Standardization, harmonization</b> , best practice transfer • Separation of <b>back and front office</b> , focus on value creation	• <b>Reduction</b> of complexity • Enhancement of <b>customer experience</b> • <b>Growing</b> with the market	• Regional consolidation precursor for <b>global consolidation and subsequent off-shoring</b>
<b>Est. savings</b>	• ~30% cost reduction (annually)	<i>Significant annual cost savings (exact figures not disclosed)</i>		• ~\$50M per year
<b>Staff offshored</b>	• >3,500 FTE	• >2,000 FTE	• >2,500 FTE in Philippines • >8,000 FTE in India	• 3,869 FTE in Romania • 4,000 FTE in Malaysia

17. Organizations in both the public and private sectors recognise that the creation of service centres, like all major change projects, also generate risks that need to be managed. Some of the key risks are:

- the possible disruption of service delivery during the transition phase;
- the short term increase in workload generated by major organizational change of this nature;
- the potential impact on staff morale caused by uncertainty over their future work;
- underestimating the up-front investment needed to generate longer-term savings and manage key transition risks;
- failing to generate the planned return on investment by realizing the savings expected.

18. The key issue is that a shift of activities to a service centre needs to be very carefully considered, well planned and actively managed to ensure that the benefits to be gained outweigh the risks involved in achieving them.

### 1.3 What is best practice in creating a service centre?

19. WFP has sought to identify best practice in the use of service centres in the United Nations by drawing on:

- the 2009 JIU report on offshoring in United Nations system organizations;
- the further experience of United Nations organizations since this report was issued;



- WFP’s own experience of working through offshored service centres.

### **1.3.a JIU report on offshoring in United Nations system organizations**





20. The Joint Inspection Unit carried out the only independent review of offshoring in the United Nations System in 2009. The report examined the relocation of business processes by UNHCR, FAO, WHO and WFP’s own offshoring activities in 2007–2008.
21. Some key conclusions and findings of the report were:
  - “A successful offshoring exercise requires comprehensive planning from the beginning and through all phases of the project. It should include change management and corporate communications strategies; risk assessment and mitigation measures; a sound governance structure; early recruitment of local staff; training and knowledge transfer; and security, business continuity and disaster recovery planning.”
  - “In order to justify offshoring, and also illustrate the overall scope of an offshoring project, the development of a business case is a prerequisite. In the development of a business case, organizations should adopt a consolidated approach in an effort to avoid any fragmentation that may arise when the various departments prepare separate submissions for offshoring. The case should consider all parts of the organization, both headquarters and field, as well as the delivery of both administrative services and substantive programmes.”
  - “The Inspectors found the scope and depth of analysis in the WFP business case comprehensive and analytical, and consider that this case would be a useful model for the development of business cases for offshoring in the future.” This included the criteria then used by WFP for determining offshore location, which the inspectors presented in detail in the report as a model for others to follow.
  - “During offshoring, the management of human resources is particularly challenging, both for the organization, which stands to lose experienced staff, and for individual staff members who face unwelcome change and the threat of job loss. Appropriate measures should be taken in an exemplary manner to mitigate the impact of offshoring on the staff.”
  - “To achieve maximum efficiency, before resorting to offshoring, organizations should examine all inter-agency cooperation opportunities, including insourcing to existing service centres and establishing inter-agency service centres.”

### 1.3.b United Nations organizations further experience of offshoring service centres

22. Four United Nations organizations have established service centres in lower cost locations. WFP therefore sought to learn from their experience in so doing. The nature of the functions offshored is shown in Figure 4 below.

Figure 4: United Nations experience of establishing service centres

#### Several United Nations organizations have established services centres in lower cost locations

				
<b>HQ location</b>	Rome, Italy	Geneva, Switzerland	Geneva, Switzerland	New York, US
<b>SC locations</b>	Budapest plus Bangkok & Santiago as hubs	Budapest, Hungary	Kuala Lumpur, Malaysia	<i>Go-live in H1 2015 Location Budapest</i>
<b>Functions offshored</b>	<ul style="list-style-type: none"> <li>• Finance</li> <li>• HR</li> <li>• Routine procurement</li> <li>• Support help desk</li> <li>• Travel</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Global learning centre</li> <li>• HR</li> <li>• IT support</li> <li>• Payroll</li> <li>• Supply management</li> </ul>	<ul style="list-style-type: none"> <li>• HR</li> <li>• Payroll</li> <li>• Procurement</li> <li>• Supplier management payment</li> <li>• Travel</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> <li>• HR</li> <li>• IT</li> <li>• Master data management</li> </ul>
<b>Size (approx.)</b>	~150	~350	~175	<i>Est 300 - 400</i>

23. Through a review of key papers and discussions with other United Nations organizations WFP sought to capture best practice relating to five questions on how best to implement an offshored service centre. The outcome is shown in Table 1 below.

Table 1: Main lessons learned from the experience of other United Nations organizations	
Key question	Best practices identified
Which functions and processes to offshore?	<ul style="list-style-type: none"> <li>• Functions and processes that are <b>not location dependent</b> and can be performed in both HQ and field locations.</li> <li>• Functions and processes that can be objectively <b>measured for service quality/costs</b>.</li> <li>• Functions and processes that could become <b>more efficient if brought to scale</b>.</li> </ul>
How to measure performance?	<ul style="list-style-type: none"> <li>• Develop <b>rigorous cost-benefit analysis</b> to support decision making, including pay-back periods and impact on career development at HQ and in a service centre</li> <li>• Include <b>regular monitoring and reporting</b> mechanisms based on key performance indicators (KPIs) to ensure cost savings, consistent service quality, and timely delivery.</li> </ul>
What type of organizational structure and governance arrangements?	<ul style="list-style-type: none"> <li>• Establish a <b>clear governance structure</b> for both the project and a service centre that aligns with business needs.</li> <li>• Examine opportunities for outsourcing and insourcing to <b>existing United Nations agencies and their service centres</b> to achieve synergies.</li> <li>• <b>There is no single or preferred operating model</b>. Best practice is to establish an operating model that best suits WFP's operational needs.</li> </ul>
How best to transition and manage the change?	<ul style="list-style-type: none"> <li>• Adopt a <b>phased approach</b> for process transition (to learn from early implementation).</li> <li>• Move entire units wherever practical by adopting a <b>“lift and shift” approach</b> for smooth transition.</li> <li>• Provide robust <b>change management support</b> throughout the process.</li> <li>• <b>Communicate regularly</b> with all stakeholders.</li> <li>• Define and assess <b>implementation risks</b> and put in place key <b>mitigation actions</b> as part of risk management.</li> <li>• Conduct <b>extensive training of staff</b> with process experts prior to the move, including work-shadowing of experienced staff by new employees.</li> </ul>
How to select a location?	<ul style="list-style-type: none"> <li>• <b>Time zone</b> as well as <b>accessibility</b> need to be key considerations in addition to staff costs and capacities.</li> <li>• <b>Early engagement</b> with potential host government(s).</li> <li>• Ensure clear alignment with host government on <b>privileges and immunities</b>.</li> </ul>

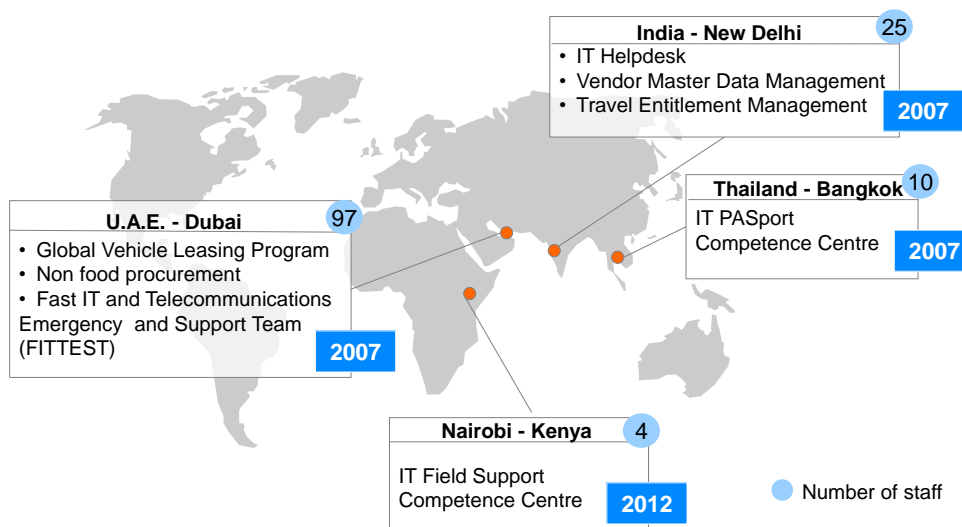
### 1.3.c WFP's experience of offshored services

24. Offshored service centres are not new to WFP. In 2015, WFP has the following offshored services (Figure 5):
- **India – New Delhi**. Established in 2007 and hosting IT Helpdesk, Vendor Master Data Management and Travel Entitlement Management. (25 staff);
  - **Thailand – Bangkok**. Established in 2007 and hosting the IT PASport Competence Centre to develop and support the country office payroll system (PASport). (10 staff);

- **United Arab Emirates – Dubai.** Established in 2007 and hosting the Global Vehicle Leasing Program; and the Fast IT and Telecommunications Emergency and Support Team (FITTEST). (97 staff);
- **Nairobi – Kenya.** Established in 2012 and hosting the IT Field Support Competence Centre. (4 staff).

Figure 5: Current WFP service centres

**WFP presently has a network of smaller service centres covering primarily IT, Finance, Travel, and Procurement**



25. One of the current WFP service centres (Kenya) is very small while a second (Thailand) will be reduced in size as the PASport system is implemented as planned in country offices.
26. The IT Helpdesk in India has provided a highly cost effective IT support help desk for WFP Rome and a second line of support for country offices. This was a service initially outsourced to the International Computing Centre (ICC), which was brought in house primarily to increase the effectiveness of the support provided but also to generate a small saving in costs over the ICC contract. The staffing level in India grew initially and reached a peak of 23 staff including a National Officer manager, however it is now down to 15 people with remote Management. WFP regularly reviews the quality and effectiveness of the support provided by the IT help desk. Allowing for inflation, the costs of this service continue to remain below the levels contracted for in 2007.
27. The offshored services in Dubai include two major programmes:
  - **The Global Vehicle Leasing Programme (GVLP)** has been in operation since 2008. It was launched to standardize the way in which WFP procures, manages and protects its light vehicle assets. The programme also runs WFP's internal self-insurance scheme for light vehicles.

- **The Fast IT and Telecommunications Emergency Support Team (FITTEST)** was established in 1998 and is a team of IT, telecommunications and electrical specialists that assist the humanitarian community in establishing and maintaining IT infrastructure systems.
28. The drivers for locating these two services in Dubai were not cost savings (although free office space was provided), but to take advantage of:
- the proximity to operational ‘epicentres’ in South Asia (e.g. Afghanistan and Pakistan) the Middle East and Africa;
  - the co-location with the existing United Nations Humanitarian Response Depot.

#### **1.3.d WFP’s experience of organizational change in general**

29. It is important to note that culturally WFP is an organization that both requires and experiences major organizational change on a yearly basis. Indeed, many of WFP’s management systems and internal controls are designed to facilitate and manage the risks of such change (for example, the WFP policy on staff mobility and the related reassignment processes).
30. The concept of using the most efficient and cost effective services is clearly enshrined in the responsibilities of the Executive Director as laid down in General Regulation Article VII.7.

*“The Executive Director shall keep the cost of management and administration of WFP to a minimum consistent with the maintenance of efficiency and accountability and shall use the most efficient and cost effective services, including in the field.”*

31. The need to keep under constant review the balance and cost effectiveness of support service activity at headquarters and field level is evident in WFP’s development.
- For the first 25 years of its existence the majority of WFP’s support services (for example, Finance, Payroll and Internal Audit) were provided by FAO. WFP continues to make extensive use of United Nations common services where it is cost effective to do so (for example, in the area of security and through the outsourcing of Information Technology processing to the ICC in Geneva).
  - In the period 1998–2001 WFP decentralized a major proportion of its support work by the creation of six regional bureaux.
  - In 2007 when facing significant funding shortfalls, WFP amalgamated two of its regional bureaux and offshored services to India (IT support) and Dubai (Non-food procurement and vehicle leasing).

- In 2012 under fit for purpose, WFP identified the need to shift the focus and resources to regional and country offices. This has guided PSA allocations in the period 2013–2015.
32. Every year, WFP must move a significant proportion (20–30 percent) of its professional workforce as part of the annual reassignment process. Moreover, WFP has to react quickly to address major emergencies. For example, to support the Level 3 emergency in three countries most impacted by the Ebola virus in 2014, WFP effected a 147 percent increase in staff on the ground over a period of six months. WFP supplemented staff working in the country by redeployments across all staff categories from across the globe as well as through newly recruited staff. Of the 569 additional staff on the ground in December 2014, 38 percent had been redeployed and 62 percent were directly recruited.
  33. Because of the nature of its culture and business practices, in comparison to other agencies with more static operations, WFP would be well prepared to undertake the necessary changes involved in implementing a service centre.

### **1.3.e Main elements of best practice identified**

34. The actual United Nations experience of offshoring generates the following best practice:
  - **The need to develop a comprehensive strategy/study for service centres.** The JIU in particular highlight the need for decisions on offshoring to be taken strategically as part of a comprehensive review of the scope for such activities. It is important to examine the full extent to which the organization can benefit from the creation of a service centre.
  - **Put in place clear governance and project management structures.** Strong governance and project management is seen as a crucial driver of success.
  - **Strong and consistent communication.** Develop a clear communication strategy to ensure that managers and staff get key messages on the project from authoritative sources.
  - **Adopt a phased approach to implementation.** An implementation plan that allows for the phased introduction of a service centre helps the organization to mitigate risks and learn during the implementation process.
  - **Put in place effective transition arrangements.** One of the main risks is that service delivery will be interrupted during the transition to a service centre. Organizations therefore need to consider carefully ways that these risks can be managed during the transition stage.
  - **Develop a comprehensive business case and financial model** that can be readily updated as key factors change. The JIU were critical that some United Nations organizations had implemented offshoring without having

established detailed business cases. The business case previously used by WFP was identified as a model for others to follow.

- **Involve key stakeholders including staff associations both early and throughout the process.** The shift to a service centre will have a direct impact on staff and potential to reduce staff morale. It is crucial that the organization identifies and involves all those stakeholders who have both a direct and an indirect interest in the changes in prospect.
- **Strong risk management** throughout the process. Major change of this nature generates a significant level of risk for any organization that undertakes it. These risks need to be fully identified, assessed and managed during the development, feasibility and implementation stages of the project.
- **Take into account the maturity level of Enterprise Resource Planning systems.** Some United Nations organizations have experienced major problems when combining the move to a service centre with major changes in their underlying Entity Resource Planning systems. Shifting a key service while also transforming the systems that underpin it increases the risk of failure.
- **Tailor the approach to WFP's cultural and operational reality.** WFP should explore different approaches that best meet its need. For example the alternatives of "lifting and shifting" a whole function to a service centre before taking actions to transform the function or transforming the function before "lifting and shifting".
- **Identify and seize opportunities to generate non-financial benefits** such as better quality of support to operations. A key feature of private sector offshoring is that these also seek to realize major non-financial benefits such as improved customer satisfaction through increased service quality; and a clearer separation of front and back office to increase local operating unit focus on business objectives.

#### **1.4      *How has WFP developed proposals in line with best practice?***

35. In line with the broader goals of the cost excellence initiative to increase WFP's mission focus, improve service quality and generate cost savings, WFP has sought to develop proposals in line with best practice as noted above:
- by having a structured approach to feasibility work that began with a benchmarking review of best practice;
  - by establishing clear governance arrangements for the project that brings together representatives of all key stakeholders; and
  - by considering the potential for outsourcing only after the scope of the services to be offshored had been identified.



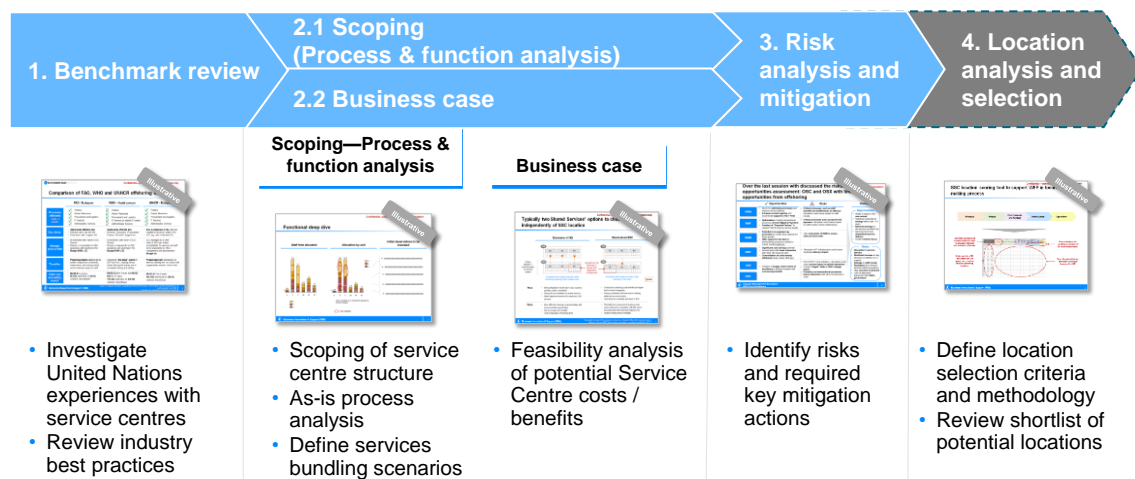
### 1.4.a A structured approach to feasibility work

36. The main elements of WFP's feasibility work are:

- a best practice review of industry and United Nations experiences with offshored service centres, which also considered WFP's own past experience;
- extensive scoping exercise to ensure a comprehensive review of the scope for offshoring functions and processes;
- developing a detailed business case including a thorough financial assessment of the costs and benefits of a service centre, a comprehensive risk assessment and a thorough review of options concerning the location of a service centre.

Figure 6: Main elements of WFP's approach

#### A four-step approach was taken for service centre feasibility review



37. The approach follows best practice as identified by the JIU:

- the main governance processes and responsibility sharing were defined at the overall and process level;
- processes were classified based on objective criteria as transactional and/or non-locational;
- major high-level risks were identified along with their probability (likelihood) and impact, and mitigating measures have been identified and implemented to manage the risks involved;
- a detailed communication strategy was elaborated for use at all stages of the feasibility review;



- a detailed business model was developed for each affected division and unit, including timelines, service-specific risks, and financial implications.

#### **1.4.b Establishing clear governance and decision making arrangements involving key stakeholders as appropriate**

38. In July 2014, at the outset of the cost excellence initiative, the Executive Director established explicit governance and accountability arrangements. The four main elements of the structure created are:
- Ownership and Coordination. The Deputy Executive Director is the project owner providing corporate leadership and guidance for the project team and ensuring coherence with other change initiatives.
  - Initiative Management. The Director of the Innovation and Change Management Division is responsible for managing the feasibility and planning work.
  - Decision-Making. Because of the corporate and wide reaching nature of the cost excellence initiative overall decision-making rests with the ED supported by the Leadership Group (DED/AEDs and Chief of Staff).
  - Advisory. An advisory group comprised of Headquarter Directors, RB/CO representatives and representatives of the staff representative bodies serves as the main consultation and information sharing. The group receives periodic updates on progress of the initiative and provides feedback as representatives of their respective roles in the organization.
39. Since the initiative began both the Leadership Group and advisory group have met 11 times to consider various aspects of the initiative; the ED has attended three of the advisory group meetings in person.

#### **1.4.c Consideration of United Nations inter-agency collaboration and outsourcing opportunities**

40. WFP already outsources certain support services, including through other United Nations system agencies. For example, 60 percent of WFP's payroll is outsourced to UNDP while the ICC manages a significant proportion of WFP's IT infrastructure.
41. As part of the search for improvements in its services, it is important for WFP to consider whether the services identified for offshoring can be carried out more cost effectively by outsourcing this work to either another United Nations organization or the private sector. This could not be done until the potential for offshored services had been identified.
42. WFP is currently reviewing all of the processes in scope for a service centre to determine whether any of these could be suitable for outsourcing. The two main criteria under consideration are first, the extent to which the process is a core function that needs to be under WFP's control; and second, the level of

operational risk involved. This analysis is ongoing and includes discussions with potential United Nations and private sector service centres as appropriate.

## 1.5 *What functions and processes could be moved to a service centre?*

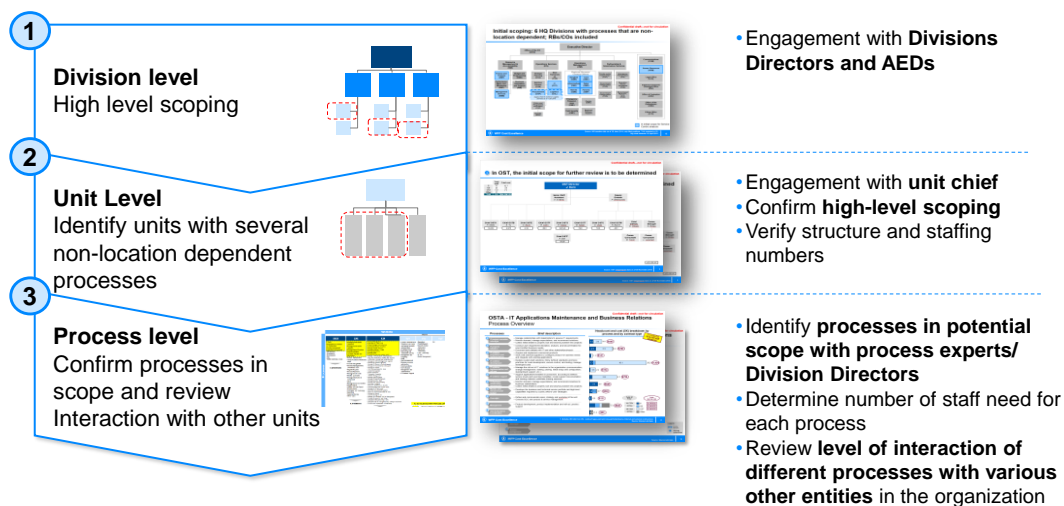
### 1.5.a Corporate-wide analysis (high-level scoping)

43. A key best practice is the need for organizations to take a holistic rather than a piecemeal approach to the creation of a service centre. WFP has met this best practice by starting the feasibility work with a corporate-wide scoping exercise covering all WFP divisions and functions to identify areas with the potential for inclusion in a service centre (figure 7). This was done by:

- interviewing all AEDs/DED/Division Directors to better understand processes within divisions and units to identify which areas of the divisions work was transactional in nature and non-location dependent;
- carrying out further interviews with heads of units and process experts to obtain a detailed insight of the characteristics of each process at a unit level including capability requirements, processing time and key interactions with other units;
- identifying units and processes within divisions that would be in scope for further analysis and confirming this first with the Division Director concerned before presenting a set of proposals for validation by the Leadership Group.

Figure 7: A corporate wide approach to scoping during feasibility work

### Potential scope narrowed down by analysis at the division, unit and process levels

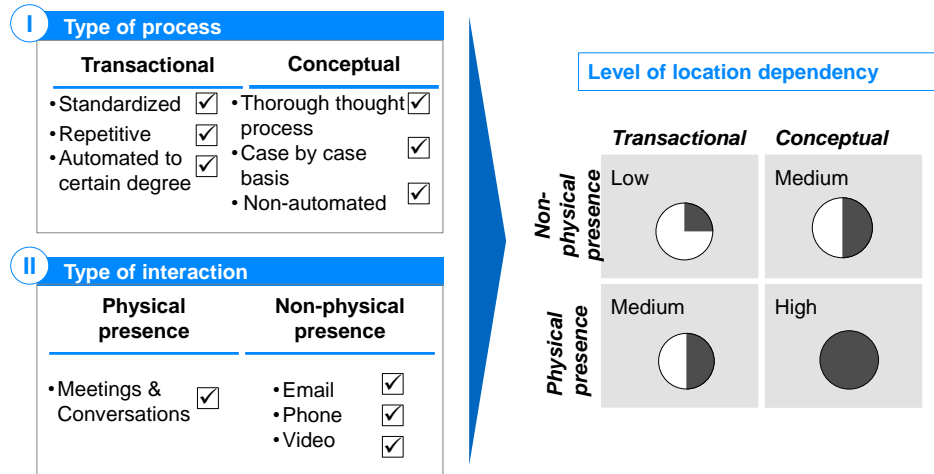


### 1.5.b Detailed Process analysis (deep-dive scoping)

44. The cost excellence team worked closely with process experts to document all the processes involved and to verify the feasibility of including the process in a service centre. This involved:
  - listing all processes in scope and assessing time involved by staff contract type (Professional, General Service and Consultant);
  - identifying interdependencies with other units/processes in and outside of WFP, as well as the level of interaction required;
  - conducting a risk assessment with each unit to understand any limitations or considerations for offshoring.
45. When reviewing the potential for moving processes, the level of location dependency is a key consideration. There are two main drivers that impact decisions on process location: the need to be physically present to engage with others during the process; and the type of processes involved (figure 8). In broad terms:
  - **The need for physical presence** can be determined by the extent to which processes are conducted primarily through meetings or are dependent on interactions with entities outside WFP but in a particular location (e.g. permanent missions in Rome). Processes where the interaction is mainly by email, phone and video (for example interactions with country offices) are usually not location dependent.
  - **The type of processes involved** can be determined by assessing the balance between: Conceptual processes, which typically involve issues that must be thought through on a case-by-case basis and are not usually automated; and transactional processes, which are typically standardized and repetitive and are automated to certain degree.

Figure 8: The main factors that influence location dependency

### Key factors influencing location dependency



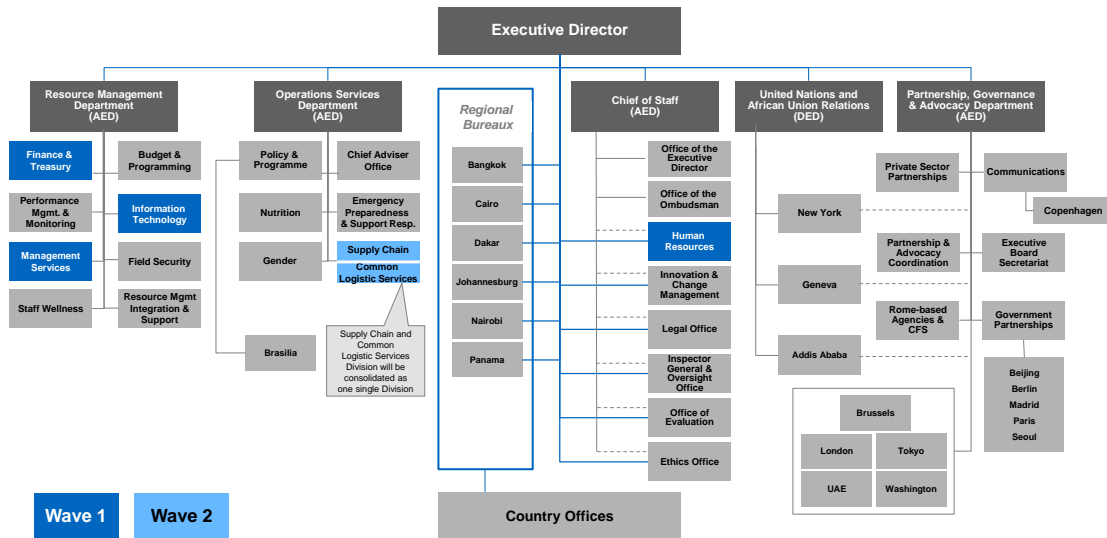
#### 1.5.c Divisions, functions and processes included in the scope of a service centre

46. The results of the corporate-wide review and detailed process analysis is that work from among six HQ Divisions have been included in the scope of a service centre (Figure 9). Having considered different operating modalities as noted below in section 1.5.d, WFP is planning to implement a service centre in two waves:

- Human Resources (wave one)
- Finance & Treasury (wave one)
- Information Technology (wave one)
- Management Services (wave one)
- Common Logistics Services (wave two)
- Supply Chain (wave two)

Figure 9: Divisions impacted by a service centre

Six divisions across WFP are in scope for the service centre – 4 in the first wave and 2 in the second wave



47. The cost excellence team has completed an extensive analysis of processes related to wave one, identifying 134 processes in scope from across 19 units in the four Divisions involved. In sum, these processes reflect the work of 140 staff positions (65 professionals and 75 General Service grade staff) and additional consultants, which could be transferred to a service centre.
48. The process analysis of the work of the Common Logistics Services and Supply Chain Divisions has still to be completed. This is because Supply Chain is being re-engineered first to enhance “integrated supply chain management” as identified during the Business Process Review; and second to leverage the full scope of common logistics services WFP provides to the broader humanitarian community and other stakeholders. As the working assumption is to move the full work of these divisions to a service centre all 145 staff positions (63 professionals and 82 general service grade staff) could feature in the second wave of implementation.

#### 1.5.d Review of operating modalities

49. The move of a number of business processes to a service centre provides a one-time opportunity for a wider review of the extent to which these processes should be transformed through some form of process optimization/consolidation.
50. Some of the HR and finance processes would benefit from process optimisation regardless of the implementation of a service centre.

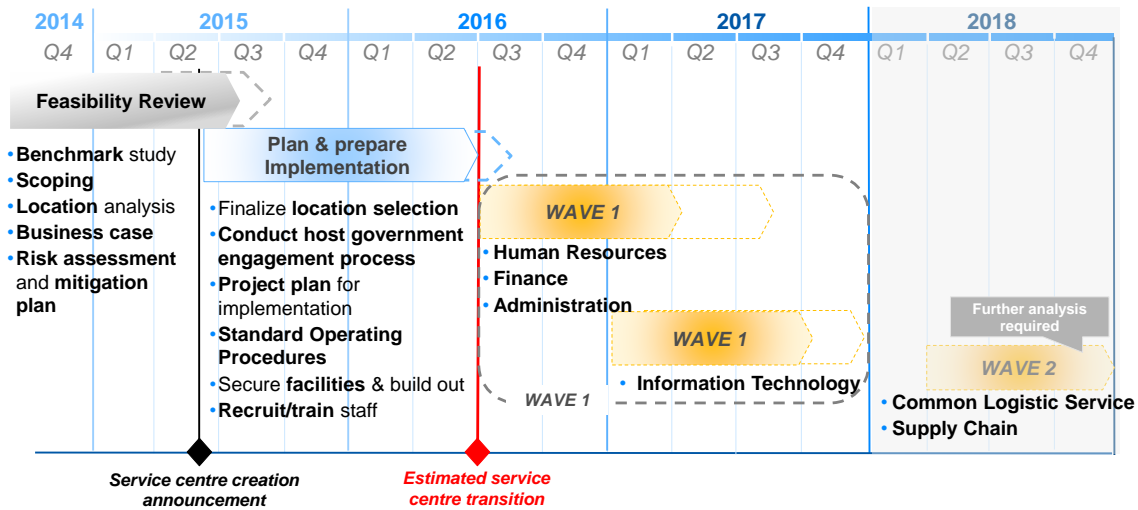
51. WFP has therefore adopted a tailored approach for each process. For example, the Supply Chain Division is being re-engineered before the planned move to a service centre. Other processes will benefit from an optimization after the transfer to a service centre.
52. The decision to create a service centre provides an opportunity to consider whether there are any major transactional processing activities in WFP country offices that are posing major challenges and distracting from the office's mission focus. In effect, to determine whether a service centre could also deliver benefits to WFP's field offices by freeing up staff time spent on transaction processing.
53. Working closely with country office staff, the cost excellence team has identified invoice processing and management as one major task that could be eligible for consolidation. This idea has considerable support from field staff. One Country Director commented that "***This would be a large benefit. Even if it were cost neutral [no cost savings from consolidation], I'd still be happy. We still free up time and ease the process in the field.***" While the view of a Regional Finance Officer was that "***This is a great idea, it will free up capacity. Invoices take up a lot of time that is better spent on other activities. I'm glad we're addressing this***".
54. Based on the volume of transactions in the ten largest country offices, the cost excellence team has calculated that consolidated invoice processing and management could free up between 2–3,000 hours of time every week in the offices concerned. The ability to process invoices centrally would also increase WFP's preparedness by aiding the scale up of activities in an emergency situation. WFP will continue to explore this particular opportunity amongst others to increase the mission focus of field offices.

## **1.6 What is the timeframe for project implementation?**

55. Consistent with best practice, WFP has adopted a phased approach to service centre transition. This has been done:
  - to reduce the risk to service disruption that would be caused by moving all functions at the same time;
  - to allow time for further implementation of the new Logistics Execution Support Service (LESS), which is a key ERP system development impacting Supply Chain and to allow this function to complete its re-engineering process and to stabilize the dependencies with other functional areas, particularly Budget and Programming;
  - to allow WFP to learn from mistakes made during the early phases of implementation.
56. WFP expects the first phase of implementation to start in the third quarter of 2016. Current plans are to move staff in wave one in two tranches, with the move of Information Technology staff beginning approximately six months after other divisions (Figure 10).

Figure 10: Outline timetable for implementation

A phased approach would be used in service centre transition: first wave expected to start in Q3 2016



### 1.7 How has the business case been developed and updated?

57. The business case developed by WFP in 2007 was recognized as best practice in the JIU report of 2009. WFP has therefore sought to replicate this approach in 2015, in part by seeking pro-bono advice from the same consultants (Boston Consulting Group) during the feasibility work. There are four distinct but inter-related elements to the business case:

- an interactive financial model, which seeks to identify and capture all the estimated savings and costs arising from the move to a service centre;
- a detailed assessment of the potential risks arising and the development and implementation of a series of mitigating measures to address these risks;
- a structured process for identifying and assessing the most appropriate location of a service centre that meets WFP’s needs;
- the identification of non-financial costs and benefits and other opportunities to increase mission focus.

### 1.7.a Business case – financial model

58. The financial model for determining the costs and savings involved is represented by:

**The savings** generated by the move to a new location (total payroll savings for Professional and General Service grade staff and any savings in operational costs)

**Minus**

**The up-front investment needed** to effect the move (which includes separation packages, relocation fees, cross-divisional backfill, travel and IT costs, office space setup).

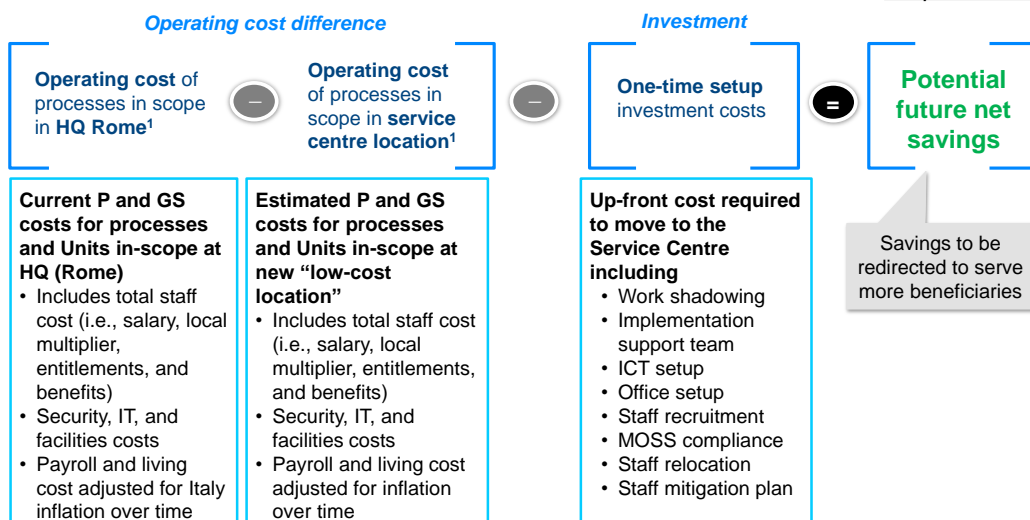
59. WFP will achieve a return on its investment once the cumulative savings exceed the investment required. The break-even point is represented by the length of time it will take to recoup the original investment.
60. WFP has followed best practice by constructing (with the help of BCG) a detailed and interactive financial model that enables it: (a) to update the model to reflect changes in key variables (for example, salary levels and exchange rates); (b) to carry out sensitivity analysis for hypothetical changes in such variables; and (c) to examine the costs and benefits of moves to different locations.
61. The investment costs required are directly linked to the detailed risk assessment (Annex 2) to ensure that there is adequate funding for the mitigation measure needed to address major risks.
62. The flexibility of the business model has been crucial in tracking the impact of a reduction in the value of the Euro against other currencies. For example between August 2014 and July 2015 the Euro dropped in value from USD 1.36 to USD 1.12 reducing the level of staff costs in Rome and thus the savings that can be realized from offshoring. The Leadership Group will continue to base decisions on the latest estimates of costs and savings as derived from the financial model.



Figure 11: The main elements included in the Business Case Financial Model

**A rigorous financial business case was created to estimate future savings from a WFP service centre**

Conducted by BCG as independent advisor



**1.7.b Business Case: identifying and managing risks proactively**

63. A key feature of best practice is the need to have effective risk management processes in place throughout the design and implementation phases.
64. Annex 2 presents the detailed risk assessment that is being used to manage the risks arising from a major change of this nature. WFP has identified and assessed risk across six broad categories:
  - staff-related risks (for example, impact on staff morale);
  - service delivery risks (for example, inability to meet operational requirements, reduction in the quality of services provided);
  - financial risks (for example, delays in meeting the break-even point);
  - political risks (for example, lack of consensus among Executive Board members on the investment needed for a service centre);
  - change management risks (for example, a service centre does not open on time);
  - reputational risks (for example, negative reaction in the media).
65. Annex 2 also demonstrates how the cost of important mitigating measures has been fed into the financial model and the calculation of the investment needed to ensure a successful transition.

### **1.7.c Business case: location analysis**

66. Experiences from other organizations indicate that it can be difficult to close or move a service centre once it has been located in a particular country. It is therefore important to “get it right first time” when choosing the location of a service centre.
67. Annex 1 outlines the main selection criteria that have been taken into account as part of a three-stage process for considering the possible location of a service centre.
68. It is important to underline that the selection criteria and ranking system described in Annex 1 have been produced to aid the Executive Director in making a final decision on the most appropriate location for a service centre. They are intended to inform but not replace the use of judgement by the Executive Director on the most appropriate location of a service centre that provides best value for money for WFP.
69. The third and final stage of the selection process will involve discussions with those governments identified by the Secretariat as having the most potential for hosting a service centre. However, other United Nations Member States are also able to indicate their interest in being considered as a potential location.

### **1.7.d Business case: non-financial costs and benefits and other opportunities to increase mission focus.**

70. The financial model may not capture some of the costs associated with the move to a service centre e.g. those related to risk of disruption or reduction of the quality of services. WFP’s approach is therefore to identify what these non-financial costs might be and to seek to minimise these as part of its active risk management of the project.
71. At same time there are non-financial benefits or opportunities that arise from the creation of a service centre, which are also not reflected in the Financial Model. It is important that these opportunities (like risks) are systematically captured and examined by WFP. These opportunities include:
  - the opportunity to achieve greater service consistency/standardization and better use of newer technologies;
  - the potential to reengineer processes to create capacity for future growth and/or to improve the quality of services provided;
  - the opportunity to use a service centre to process transactions that are currently handled by country offices (for example, invoice processing as noted in section 1.5.d).
72. WFP will continue to explore these and other opportunities to increase the mission focus of its field offices.

## **1.8**      *What are the estimated costs and savings?*

### **1.8.a**      **Estimated Savings**

73. Currently, the business case shows total annual savings of USD 9.5–10.5 million with USD 4.5–5 million in wave one and USD 4–5.5 million in wave two.
- The actual savings available will depend on the country selected for the location of a service centre and the Euro-local currency exchange rates.
  - Savings are calculated based on payroll costs (for P and GS staff), less ongoing operational costs (such as security and management and administration support)
  - Payroll costs include full staff cost (e.g. salary, local multiplier, entitlements and benefits, etc.)
  - General service staff salaries are calculated based on the Euro value of Rome salaries and the local currency value of salaries of a potential service centre location. Depreciation in the value of the Euro against the relevant local currency would result in lower savings and appreciation in value would result in an increase in savings.

### **1.8.b**      **Estimated investment/costs**

74. Currently, the business case shows a total investment of USD 26.5–30 million, with USD 14–15.5 million in wave 1 and USD 12.5–14.5 million in wave 2.
- Key cost items include: separation packages, relocation fees, work-shadowing, implementation support team, travel, IT, office workspace, security, training and recruitment.
  - Most investment costs are in US dollars and thus the investment amount will remain relatively stable going forward if other assumptions in the model remain the same. However, separation packages for GS staff are estimated in Euros. This will reduce the cost of total investments if the Euro weakens against the US dollar.
75. While a portion of the implementation costs may be funded by the selected host government, in the Management Plan 2016–2018 WFP is requesting that USD 7 million be put aside in anticipation of costs which may not be covered – including mitigation measures for the impact on staff, moving cost and other transitional costs to set up and implement the new center – or if there is a need to cover some costs upfront.

### **1.8.c Break-event point**

76. WFP expects to recoup the costs of its investment within a period of three years.

### **1.9 Concluding comments**

77. This paper has sought to provide more detail to the Executive Board of the background to and approach followed by the Secretariat in developing proposals for an offshore service centre. It is important to underline that this is still an open dossier with many variables and risks that need to be actively managed.
78. While the Management Plan contains a provision to allow the Executive Director to invest resources in a service centre, no resources will actually be invested unless the business case and the continued assessment of risks relating to the establishment of a service centre continues to justify such an investment that represents value for money for the organization.

## Annex 1: Location Analysis

1. This annex outlines in detail the main selection criteria that have been taken into account as part of a three-stage process for considering the possible location of a service centre.
2. All 193 United Nations Member States were considered as a starting point for the location analysis.

### (a) Best Practice

3. The JIU report identified the criteria used by WFP in 2007 as best practice in assessing the offshoring location (Figure 12).

Figure 12: Best practice as identified by the JIU

Staff cost	United Nations salaries in countries used as approximation for staff cost Estimated growth in salaries taken into consideration in analysis
Labour force	Availability of qualified labour force in the country Labour market regulations Language skills of workforce
Country risk	Country risk assessment including several economic and political indicators <ul style="list-style-type: none"> <li>▪ Voice and accountability</li> <li>▪ Political stability</li> <li>▪ Government effectiveness</li> <li>▪ Regulatory quality</li> <li>▪ Rule of law</li> <li>▪ Control of corruption</li> </ul>
Country infrastructure	Infrastructure availability <ul style="list-style-type: none"> <li>▪ Energy</li> <li>▪ Communication</li> <li>▪ Distribution</li> </ul> Office rent
WFP specifics	Factors affecting offshore location special to WFP <ul style="list-style-type: none"> <li>▪ Presence in country</li> <li>▪ Possibilities for funding</li> </ul>

Source: WFP, offshoring project, final documentation, March 2007, slide 31.

### (b) Main factors considered

4. WFP has followed and built on its earlier approach by developing a model, which takes into account five selection criteria.
  - **Staff costs** – the level of staff costs in the country concerned which is a key factor in the ability of WFP to generate savings in payroll costs.
  - **Labour force** – the extent to which skilled and productive labour is available to meet WFP needs, including language skills.

- **Country risk** – the need to limit the location of a service centre to those countries where WFP is able to operate with an acceptable level of security.
- **Country infrastructure** - the extent to which key infrastructure, including ICT and the service sector, is available in the country to meet WFP's needs.
- **Operational factors (WFP specific)** – key factors identified by WFP leadership that should be taken into account, for example ease of connectivity with Rome, the existence of other United Nations service centres, current regional office location.

### **(c) The selection process**

5. WFP has developed a selection process with three main stages.
  - Stage 1: Identify any countries that can be excluded from detailed analysis.
  - Stage 2: Carry out an initial ranking of countries for further examination based on a sub indicators for each criteria to be evaluated.
  - Stage 3: For the top 20 countries identified during stage 2, initiate discussions with potential host governments to identify likely costs and benefits of different locations (for example the willingness of potential host governments to provide offices and office services at no cost to WFP.)

### **(d) Stage 1: Countries excluded from detailed analysis**

6. WFP decided to excluded countries from its detailed analysis using only one exclusion criteria namely countries under United Nations sanction:

### **(e) Stage 2: Ranking of countries identified in stage 1 based on sub-indicators**

7. Table 2 below identifies the criteria and sub-criteria used by WFP to develop an impartial ranking of countries to consider under stage 3. It also lists the sources of data used.

<b>Table 2. The criteria and sub-criteria used to rank countries for more detailed examination</b>		
<b>Criteria/sub-criteria</b>	<b>Indicator</b>	<b>Source of data</b>
<b>Staff costs</b>		
<ul style="list-style-type: none"> <li>Professional staff cost</li> </ul>	<ul style="list-style-type: none"> <li>United Nations labour cost of respective location compared to Rome, USD per year compared to Rome, inflation-adjusted</li> </ul>	<ul style="list-style-type: none"> <li>International Civil Service Commission (ICSC) salary rates and post adjustment multiplier.</li> <li>Inflation rates based on IMF data</li> </ul>
<ul style="list-style-type: none"> <li>General staff cost</li> </ul>	<ul style="list-style-type: none"> <li>United Nations labour cost of respective location compared to Rome, USD per year compared to Rome, inflation-adjusted based on IMF data</li> </ul>	<ul style="list-style-type: none"> <li>International Civil Service Commission (ICSC) salary rates and post adjustment multiplier.</li> </ul>
<ul style="list-style-type: none"> <li>Exchange rate</li> </ul>	<ul style="list-style-type: none"> <li>Local currency vs. USD</li> </ul>	<ul style="list-style-type: none"> <li>United Nations Treasury exchange rates (<a href="http://treasury.un.org/">http://treasury.un.org/</a>)</li> </ul>
<b>Labour force</b>		
<ul style="list-style-type: none"> <li>Skilled labour availability</li> </ul>	<ul style="list-style-type: none"> <li>Quality of labour force available</li> </ul>	<ul style="list-style-type: none"> <li>Economist Intelligence Unit Business Environment Rankings</li> </ul>
<ul style="list-style-type: none"> <li>Labour productivity</li> </ul>	<ul style="list-style-type: none"> <li>Hours worked per year</li> </ul>	<ul style="list-style-type: none"> <li>OECD and ILOSTAT data</li> </ul>
<ul style="list-style-type: none"> <li>Language skills</li> </ul>	<ul style="list-style-type: none"> <li>English language skills</li> </ul>	<ul style="list-style-type: none"> <li>English Proficiency Index produced annually by Education First (EF)</li> </ul>
<b>Country risk (note the automatic exclusion of countries under United Nations sanction)</b>		
<ul style="list-style-type: none"> <li>High levels of insecurity</li> </ul>	<ul style="list-style-type: none"> <li>UNDSS security ranking</li> </ul>	<ul style="list-style-type: none"> <li>UNDSS</li> </ul>
<b>Infrastructure</b>		
<ul style="list-style-type: none"> <li>Information technology</li> </ul>	<ul style="list-style-type: none"> <li>ICT network connectivity and reliability</li> </ul>	<ul style="list-style-type: none"> <li>ICT Development Index by International Telecoms Union</li> </ul>
<ul style="list-style-type: none"> <li>Physical infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Relative levels of physical infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Global Competitive Index by World Economic Forum</li> </ul>
<ul style="list-style-type: none"> <li>Services sector</li> </ul>	<ul style="list-style-type: none"> <li>Level of service sector availability</li> </ul>	<ul style="list-style-type: none"> <li>GDP composition per sector, based on EIU data</li> </ul>
<b>Operations</b>		
<ul style="list-style-type: none"> <li>Time zone differences to Rome</li> </ul>	<ul style="list-style-type: none"> <li>Time difference of a location's capital to Rome</li> </ul>	<ul style="list-style-type: none"> <li>Index number developed by cost excellence team analysis (assigning index from 100 to 0 for locations with 0hrs to 12 hrs time difference compared to Rome, based on <a href="http://www.timeanddate.com">www.timeanddate.com</a>)</li> </ul>
<ul style="list-style-type: none"> <li>Travel accessibility from Rome</li> </ul>	<ul style="list-style-type: none"> <li>The air distance of a location's capital to Rome</li> </ul>	<ul style="list-style-type: none"> <li>Index number developed by cost excellence team analysis (assigning index from 100 to 0 for locations with 0km to max. 9000 km distance from Rome, based on <a href="http://www.distancefromto.net">www.distancefromto.net</a>)</li> </ul>

8. To combine these different criteria, the Leadership Group will identify a weighting value to reflect the relative importance of each criteria to WFP. The criteria and weighting described above will be used to identify the top 20 countries which offer the greatest potential for the location of a service centre for further consideration under stage 3 below. If not in this list, WFP will also consider under stage 3 countries with regional bureaux.

**(f) Stage 3: Further discussions with potential host governments**

9. WFP will shortly begin a dialogue with potential host governments identified under stage two, to explore other factors relevant to the overall business case. For example, the extent to which the host country is willing to support some of the costs of establishing a service centre.

**(g) Updating the business model to reflect changes in underlying selection criteria.**

10. While WFP has presented its approach above as a linear process, the reality is that some of the selection factors noted above will change over time and impact the overall business case. WFP has therefore developed a financial model that can be readily updated, for example as currency exchange rates change.



## Annex 2 Detailed Risk Analysis

1. This Annex presents the detailed risk assessment undertaken as part of the feasibility work.

Category/risk identified	Cause of risk	Assessment N1			Risk response	Mitigation measures	Mitigation costs in the business case?	
		L	I	O			Y/N	Cost elements
<b>1. Staff related risks</b>								
1.1 Damage to staff morale	1.1 Affected Staff are fearful about their future prospects.	H	M	M	Control	1.1 Work with HR to develop a full range of mitigation measures, which may include: <ul style="list-style-type: none"> <li>• Redeployment in HQ in other units/divisions on vacant positions or positions filled by temporary staff.</li> <li>• Temporary duty assignments in emergency operations.</li> <li>• Backfilling of staff deployed to emergency operations.</li> <li>• Voluntary separation packages.</li> <li>• Outplacement services.</li> <li>• Training grants.</li> <li>• Allow special leave without pay for administrative reasons.</li> </ul>	Yes	1.1 Full cost of the estimated volume of separation payments for general service staff. (Note there is no requirement for separation payments for staff on consultancy contracts).
	1.2 Unaffected staff believe that this is the beginning of broader change in WFP.	L	M	M	Control	1.2 (a) Open communication with all staff about the purpose, scope and impact of service centre proposals. 1.2 (b) Detailed communication strategy for all aspects of the creation of a service centre.	Yes	See 5.1
	1.3 Staff believe that they have been treated disrespectfully	L	M	L	Control	See 1.2 (a) and 1.2 (b)		

Category/risk identified	Cause of risk	Assessment N1			Risk response	Mitigation measures	Mitigation costs in the business case?	
		L	I	O			Y/N	Cost elements
	1.4 Disruption to critical processes – staff benefits and entitlements payroll and payments could impact staff morale.	H	H	H	Control	See 2.2(a) – (c)		
	1.5 Resistance from managers and staff.	M	M	M	Control	1.5 (a) Involve all key stakeholders in meetings of the advisory group. 1.5 (b) Keep advisory group informed of all key changes. 1.5 (c) Respond fully and faithfully to advisory group comments and concerns as these arise. 1.5 (d) Additional discussions and dialogue by line managers at divisional and unit level.	Yes	See 5.1
<b>2. Service Delivery risks</b>								
2.1 WFP is unable to meet operational requirements	2.1 Workload increase in key divisions, in addition to the work required to deal with the current high level of L2 and L3 emergencies.	M	M	M	Control	2.1 Provide additional staff resources to support divisions during transition to ensure that WFP continues to operate on a “business as usual” basis. These include backfilling for process experts required to work on the transition.	Yes	2.1 Cost to provide extra support to units during the transition phase.
2.2 Disruption in service delivery during transition stage impacts critical processes – staff benefits and entitlements, payroll and payments.	2.2 Loss of staff knowledge and experienced work force. See also 2.3.	H	H	H	Control	2.2 (a) Work-shadowing/parallel running, to provide an overlap of positions in the new location and Rome, to enable the transfer of key knowledge between old and new staff to ensure that knowledge is not lost during the transition phase. See also 2.3	Yes	2.2 (a) Work-shadowing/parallel running costs based on the staff costs at both locations.

Category/risk identified	Cause of risk	Assessment N1			Risk response	Mitigation measures	Mitigation costs in the business case?	
		L	I	O			Y/N	Cost elements
						2.2 (b) Transfer of key professional staff to new location.		2.2 (b) The full costs of relocation of all professional staff included.
2.3 Reduction in the quality of service provided	2.3 New staff not fully trained. See also 2.2.	M	H	H	Control	2.3 Training of new staff to enable the transfer of key knowledge between staff to ensure knowledge is not lost in transition. See also 2.2 (b).	Yes	2.3 An estimate of the costs of training.
<b>3. Financial risks</b>								
3.1 Poor Investment decision is taken that cannot generate the savings required.	3.1 Changes in key assumptions invalidate the business case.	M	H	H	Control	3.1 (a) Develop a robust business case in line with best practice. 3.1 (b) Monitor indicators related to key assumptions and adjust the business case if these change. 3.1 (c) Regular review of the business case by the Leadership Group.	Yes	See 5.1.
3.2 Delays in meeting break-even point or cost of investment never recovered.	3.2 Savings do not arise as quickly as expected, increasing the time required to reach the break-even point.	L	H	M	Control	3.2 (a) Review of financial model and payback period as the plan is refined to establish a clear baseline from which to monitor future savings. 3.2 (b) Track budget allocations in future years to ensure that savings are realized.	Yes	See 5.1.
	3.3 Changes in exchange rates reduce savings realized.	M	M	M	Accept	None		

Category/risk identified	Cause of risk	Assessment N1			Risk response	Mitigation measures	Mitigation costs in the business case?	
		L	I	O			Y/N	Cost elements
3.4 Lack of resources to fund the investment needed.	3.4 Executive Board unwilling to approve the resources needed to set up service centre.	L	H	M	Control	3.4.(a) Integrate financial requirements into Management Plan 2016–2018. 3.4 (b) Discuss proposals for creating a service centre during informal consultations on the management plan.	Yes	See 5.1.
<b>4. Political risks</b>								
4.1 Lack of consensus among Executive Board members on the investment required for a service centre.	4.2 The Executive Board is not convinced of the benefits of a move to an offshored service centre.	L	M	M	Control	4.1 (a) Share with the Executive Board supporting information on the business drivers for offshoring. 4.1 (b) Develop a strong business case to support the decision made. 4.1 (c) Provide transparency about the criteria on which location is based. 4.1 (d) Carry out a rigorous analysis of key criteria supporting location decision.	Yes	See 5.1.
<b>Change Management risks</b>								
5.1 Service centre does not open on time	5.1 Delays in key project actions and/or approvals.	M	M	M	Control	5.1 (a) Develop detailed implementation plan with key milestones and checkpoints . 5.1 (b) Provide necessary project management support to ensure an efficient and effective transition.	Yes	Costs included for the cost excellence team to support the service center implementation process and provide general change management support.
5.2 Service centre Lacks sufficient qualified staff	5.2 Difficulties in recruiting suitable new staff members.	M	M	M	Control	5.2 (a) Early recruitment process to ensure sufficient time to hire capable staff. See also 2.2 (a).	Yes	See 2.3.

Category/risk identified	Cause of risk	Assessment N1			Risk response	Mitigation measures	Mitigation costs in the business case?	
		L	I	O			Y/N	Cost elements
5.2 Service centre is not fully connected to the rest of WFP.	5.2 Lack of connectivity between staff in a service centre and the rest of WFP.	L	H	M	Control	5.2 Fully equip service centre staff with necessary IT and communications support.	Yes	5.2 Costs to set up ICT hardware, software and installation at service center location.
5.3 Service centre is not secure.	5.3 New premises do not meet Minimum Operating Security Standards.	L	M	L	Control	5.3 Development of Minimum Operating Security Standards for application at new offices.	Yes	5.3 Costs include making the premises compliant to Minimum Operating Security Standards two months before first staff members begin work at new location.
5.4 Service centre lacks basic office infrastructure.	5.4 Inadequate working environment.	L	M	L	Control	5.4 Fully equip offices for effective working.	Yes	5.4 Costs included for desks, etc.
<b>6. Reputational risk</b>								
6.1 Reputational damage.	6.1 Information is leaked to the media.	L	M	L	Control	6.1 Preparation of media holding briefs.	Yes	See 5.1.
<p><b>Notes</b></p> <p>1. The risk assessment considers the Likelihood (<b>L</b>), Impact (<b>I</b>) and overall (<b>O</b>) assessment of risk as High (<b>H</b>), Medium (<b>M</b>) or Low (<b>L</b>).</p> <p>2. The four categories of risk responses used by WFP are: Accept, Control, Avoid or Transfer.</p>								