Common business services and back-office functions
– Explanatory Note –

1. Current status

Over recent years, UN development system entities have been coming together at the country level to deliver more effective efficient common support services through Business Operations Strategies (BOS). These strategies have contributed to enhanced operational delivery by UNCTs. These range from the sharing of long term agreements with local contractors and suppliers to establishing horizontal integrated service centres, such as the Joint Operations Facility in Brazil or the Green One UN House Common Service Unit in Viet Nam. Currently, 33 of 130 UNCTs have completed a BOS.

UN entities are also optimizing their own "vertical" support service delivery within their organizational structures and are creating vertical service centres, such as WHO's service centre in the Philippines, UNICEF and UNHCR service centres in Hungary, and UNDP' service centre in Malaysia. While some of these vertical service centres are providing services to other UN organizations, they do not respond to an inter-agency concerted effort to plan, develop or operate facilities for common benefit.

With regards to premises, there are currently more than 2,900 UN office and logistics spaces worldwide, of which 16% are common premises. There are several practical reasons why UN entities do not currently move into common premises. These range from the fact that UN entities sometimes benefit from rent-free office space provided by host governments, to the non-availability of compounds and buildings big enough to host multiple UN entities, or the lack of technical capacity in UNCTs to manage complex projects such as establishing UN Houses.

2. Proposals for common business services and back-office functions

The Secretary-General's proposal for the adoption of common back-office services and common premises by all UNCTs rests on achieving the following five targets:

1. Establishment of common back offices for all UNCTs, with all location-dependent services consolidated into one service centre at the country level and location independent services being provided by a network of global shared service centres by 2022.
2. All UNCTs to ensure compliance with an improved Business Operations Strategy (BOS) by 2021.
3. Increase the proportion of UN common premises to 50% by 2021, up from the current 16%.
4. All entities to meet the mandate set out in the 2016 QCPR resolution to operate according to the principle of mutual recognition.
5. "Client Satisfaction" – measured for all business operations services to enable culture change.

The first of these targets captures the overarching ambition of adopting common back-offices as the default option for all UNCTs. The other four targets can be seen as enablers or prerequisites for making possible this overarching goal of having common back-offices for all UNCTs.

3. Issues for consideration in implementing common back-office proposals

Implementing the Secretary-General's proposals for common business operations and back-office functions will require taking into consideration the following issues:

✓ **Two-phased approach to common back-office implementation**

The Secretary-General's target for common back-offices will be implemented in two distinct phases. The first phase is a diagnosis and design phase to determine the exact end-state and plan for implementation. This will include piloting of the proposed approach in targeted country contexts, and is likely to require at least one year. The second phase is an implementation phase, which could be rolled-out within a 2-3 year timeframe, following regular change management procedures. Both phases can be implemented within existing mandates of UNDS entities.

✓ **Further inputs to inform strategy to operationalize common back-office proposal**

Several inputs have gone into the Secretary-General's proposal for the adoption of common back-offices by all UNCTs. These include an external review of current business operations and a high-level analysis of the potential impact and steps needed towards the adoption of common back offices by all UNCTs, in addition several desk reviews and technical analyses on related matters. A more detailed analysis on back offices and common premises is currently underway to allow for the development of a sequenced strategy as announced in the Secretary General's December 2017 report. This will entail further data gathering in the next few months on back office functions, costs and capacities at country, regional and HQ level.

✓ **Capacities in support of implementation of common back-office proposal**

The implementation of the common-back office proposal will require a full-time project coordination team that provides overall project management and coordination support to UNDS entities adopting the common back office model. Participating UN entities will also need dedicated internal capacities to implement changes necessary to operate under the common back-office model, such as changes to policy, processes, systems, structures and staffing. External technical expertise may also be needed to ensure that international best practices inform this process.

✓ **Whole-of-system approach to common premises goals**

Achieving the Secretary-General's target on common premises will require a whole-of-system approach that moves beyond the current country-led approach to the adoption of common premises. This will require full data on UN premises so that decisions can be taken on where efforts to move to common-premises can yield the highest returns. It will also need to be supported by internal dedicated capacities to drive this process, as well as by short-term external expertise, a capital assets financing scheme and the corresponding changes in internal asset management policies.

✓ **An improved Business Operations Strategy (BOS)**

To be transformational and help prepare UNCTs for the transition to common back offices, the BOS will have to be updated to match the ambition put forward by the Secretary-General in his December report. This will demand coordinated steering at HQ level and dedicated support for country offices, including trainings and sharing of best practice, such as models for local service centres.

✓ **Putting mutual recognition principle into practice**

Operationalizing the principle of mutual recognition will require identifying the specific internal policies that prevent entities from mutually recognizing each other's internal policy frameworks. This will determine which internal policy changes are within the UN entities ability to change and which need to be changed by the respective governing bodies.

✓ **Measuring client satisfaction**

Measuring client satisfaction is a practical element towards a culture change in UN service delivery. Client satisfaction has already been centrally incorporated into the BOS framework where it is one of two mandatory indicators for Common Services (the other is cost savings). It is also an integral part of the

Service Centre model that is at the heart of the Common Back Office plans. We will need to build on these concepts to enable the necessary culture change.

✓ **Potential impact of common back office proposals**

International best practices for multinational corporations with large global footprints indicate that savings generated from undertaking similar exercises can amount to 20-30% of back-office costs. These savings, however, are generally lower when involving the public sector, especially organizations with comprehensive and complex mandates and wide geographic footprint such as the United Nations. Even a conservative 10% ratio of savings-to-total-back-office-costs could generate hundreds of millions of dollars in efficiencies every year, which could then be reapplied to programmes. Besides the cost benefits, there are also other significant benefits in effectiveness of back office services, including enhanced ability for UN entities to focus more on their mandate and mission rather than administration.

✓ **Member States' support**

Member States have a critical role to play in ensuring the UN development system advances common business operations and back-office functions. Member States can help ensure that governing bodies of UNDS entities include the BOS and other targets relevant to the achievement of the Secretary-General's common back-office target in these entities' Key Performance Indicators. They can also support project management and initial start-up costs for common back-office implementation. Host governments, on the other hand, can provide buildings and/or compounds that are suitable for common premises. They can also provide land, so that the UN can partner with host government to seek private sector financing to build adequate offices through Public Private Partnerships (PPPs).