

**FACTORS TO CONSIDER IN CENTRALIZING FINANCIAL
ADMINISTRATION ACTIVITIES**

The following list identifies several factors to be considered in evaluating whether an activity can be centralized. Based on a recent review of the European environment, it appears that these factors should continue to be important considerations when evaluating a Post's suitability for regionalization. Although a Post which has historically been weak in service and control standards would normally be a likely candidate for regionalization, there are several aspects of the proposed arrangement which must be considered. Eight such key factors are discussed in the following paragraphs:

Geographic Proximity of Posts - If a Post is so far from the proposed central location that budgeting and related financial assistance could not be readily provided (e.g. travel or communications complications), there may be an important loss of service if the Post was regionalized.

Ease of Document Flow - To permit posts to be served by a central location on a timely basis, there must be mail, courier, or other means of transporting documentation between the two locations daily, and rapidly. Although such delivery systems are available in most parts of the world, the costs will clearly have to be compared to the potential benefits of regionalization.

If the proposed location is within the same country as the post being considered for regionalization, the local mail system would be the first mechanism examined. Where documents would have to be sent between countries, however, the longer delays associated with different jurisdictions could result in an inability to provide the requisite levels of service.

Banking Environments - A key aspect of regionalization is the centralization of funds at the central location. In order to accommodate payments at a regionalized post, appropriate service arrangements must be in place with banks in both locations. Where such services cannot be offered at a reasonable cost, or government restrictions/regulations preclude arranging such services, it may not be feasible to regionalize the post. Such regulations risk posing problems primarily where the central location is in a different country (e.g. soft currency country with exchange restrictions).