



# General Assembly

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Agenda item 147  
**Joint Inspection Unit**

## **Review of contemporary practices in the external outsourcing of services to commercial service providers by United Nations system organizations**

### **Note by the Secretary-General**

The Secretary-General has the honour to transmit to the members of the General Assembly his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit entitled “Review of contemporary practices in the external outsourcing of services to commercial service providers by United Nations system organizations” (see [A/75/551](#)).



## I. Introduction

1. In its report entitled “Review of contemporary practices in the external outsourcing of services to commercial service providers by United Nations system organizations” (A/75/551), the Joint Inspection Unit examines the strengths, weaknesses, opportunities and threats in relation to utilizing the option of external outsourcing, outlining the existing enabling legislation and policy. The review is aimed at facilitating a clearer understanding by legislative bodies and executive heads of the current status of external outsourcing and providing a toolkit for organizations to improve how the outsourcing of services to commercial service providers is conducted and managed.

### General comments

2. Organizations welcome the report and find that it offers a useful overview of the current status of external outsourcing.

3. Organizations note that the coordination of certain actions by the Procurement Network of the High-level Committee on Management, in particular within the framework of harmonization and mutual recognition initiatives, will be essential to avoid duplication of efforts and to allow entities that do not extensively use outsourcing currently to benefit from the expertise existing throughout the United Nations system.

4. Organizations share some reservations with regard to the limited resources and time available to comply with the proposed timelines, noting that more time would be required for internal consultations and coordination and to allow for any change to the regulatory frameworks to be appropriately channelled through the governing bodies for their approval.

5. Furthermore, several entities note that, owing to their involvement in the coronavirus disease (COVID-19) pandemic response, it may be challenging to fully implement those recommendations that have an implementation date of 2021.

6. Organizations underscore that the absence of a clear definition of outsourcing may compromise timely follow-up actions, noting that the development of a common approach through the Procurement Network would be essential to the implementation of the recommendations.

7. In connection with recommendations 4 to 7, some organizations note that, from the procurement perspective, there is no difference in the approach to selecting outsourced services compared with standard services.

8. Organizations partially support the recommendations.

## II. Comments on specific recommendations

### Recommendation 1

**The executive heads of United Nations system organizations should task the relevant offices with developing, through consultations with relevant internal stakeholders, by the end of 2021, a common organization-wide definition of outsourcing and further concretize it by developing approaches and procedural guidelines on the subject matter.**

9. Organizations partially support the recommendation, while acknowledging the existence and importance of a common organization-wide definition and conceptualization of outsourcing.

10. Most organizations recognize the value of a system-wide definition and corresponding procedural guidelines. They note, however, that the definition and procedures must be sufficiently flexible to respond to the mandate of each entity, while enabling data aggregation.
11. Organizations consider it important for the work to be carried out through the Procurement Network. That will ensure agreement on a system-wide definition to serve as a baseline that each entity can further develop, in accordance with its specific needs and processes, with a view to the harmonization of practices.
12. Owing to their current engagement in responding to the COVID-19 pandemic, several organizations find it challenging to implement the recommendation by the end of 2021, indicating that the end of 2023 would be preferable.

### **Recommendation 2**

**The legislative bodies of the United Nations system organizations should request their executive heads to ensure that, by the end of 2022, annual reports on procurement include a subsection on expenditures on services sourced from commercial service providers.**

13. While noting that the recommendation is addressed to the legislative bodies, several entities consider it already implemented, given that their annual reports on procurement already include information on expenditures on services sourced from commercial service providers.
14. In cases in which the term “commercial service providers” is not defined in the enterprise resource planning systems, entities link the feasibility of implementing the recommendation by 2022 to the development of a system-wide or organization-level definition of outsourcing and to the time and effort required to modify the current enterprise resource planning and reporting systems.

### **Recommendation 3**

**The executive heads of United Nations system organizations should instruct all requisitioning offices to actively work towards assessing their use of sources of supply from vendors in developing countries and economies in transition, and increase it, as applicable, based on such assessment, with the provision that such activities shall not contravene policies established by organizations to ensure effective competition.**

15. Organizations partially support the recommendation.
16. Several organizations consider that it does not require further implementation because the recommended practices are already in place.
17. For example, it is already stated in the United Nations Procurement Manual that the Secretariat shall actively work to increase its sources of supply from developing countries and countries with economies in transition. Furthermore, in paragraph 16 of its resolution [69/273](#), the General Assembly requested the Secretary-General to continue to explore additional innovative ways to promote procurement from developing countries and countries with economies in transition at Headquarters and field offices.
18. Other organizations do not favour taking this aspect in isolation, noting that the origin of the vendor should not be the only or primary criterion to be observed in a process that should also guarantee value for money, sustainability and risk mitigation, among others. Technical organizations allow the technical requirements to determine the source of supply and give all vendors the same opportunities, regardless of the country of origin.

#### **Recommendation 4**

**The executive heads of United Nations system organizations should encourage all offices to ensure that, by the end of 2021, the sourcing of any strategic, sensitive or high-value service and related goods from a commercial service provider is preceded by the conduct of a clearly documented strategic analysis that includes short and long-term considerations and costs, and that the analysis has been reviewed and approved by the appropriate authority, prior to a formal decision on the sourcing option.**

19. Organizations partially support the recommendation.
20. Several entities report that such an approach is already embedded in their business processes, while others will address the recommendation through the development and implementation of future outsourcing policies, noting that, for organizations with a heavy decentralized structure, implementation will require significant change management efforts, rendering the implementation date of 2021 challenging. Some entities reported that implementation might be impossible in all locations owing to operational exigencies.
21. Organizations would prefer an implementation date of 2023.

#### **Recommendation 5**

**The executive heads of United Nations system organizations should instruct all offices to ensure that, by the end of 2021, strategic, sensitive and high-value commercially outsourced services under their purview are subject to periodic review, including risk assessments, to ascertain whether appropriate risk management measures are developed by the relevant functions in each organization.**

22. Organizations support the recommendation, while suggesting that an implementation date of 2023 would be preferable.
23. Some entities confirm that reviews, including risk assessments to ascertain whether appropriate risk management measures are developed, are already a part of the acquisition process, meaning that the recommendation does not require further implementation.

#### **Recommendation 6**

**The executive heads of United Nations system organizations should instruct relevant offices to develop criteria that need to be met for outsourced service contracts to be considered for extensions beyond standard time frames, and to present such criteria to the relevant decision-making authority for adoption and incorporation into policy documents by the end of 2021.**

24. Organizations partially support the recommendation. Some consider that the proposed criteria are already in place within current procurement rules and guidelines.
25. Others note that, when designing the proposed policy, the scope should be clearly defined, incorporating different types of service provider and explicit details on which services should be excluded.
26. Organizations would prefer an implementation date of 2023.

**Recommendation 7**

**The executive heads of United Nations system organizations should instruct all offices to ensure that, by the end of 2021, following any decision to source a service and related goods of strategic, sensitive or high value from a commercial service provider, the requisitioning office should develop clearly detailed guidelines for managing vendor transition, including corresponding backup arrangements, and ensure that solicitation documents clearly outline the responsibility of the vendor as regards transitional assistance and knowledge transfer to the organization and incoming vendor.**

27. Organizations partially support the recommendation.

28. While several entities consider the recommendation implemented, others will review and assess whether additional clarity is required. A few organizations suggested that the recommendation should apply only to outsourced services and not to all commercial services.

29. Organizations would prefer an implementation date of 2023.

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