



# General Assembly

Distr.: General  
30 July 2010

Original: English

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## Sixty-fifth session

Items 130 and 137 of the provisional agenda\*

### Review of the efficiency of the administrative and financial functioning of the United Nations

#### Joint Inspection Unit

## Offshoring in United Nations system organizations

### Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of 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 “Offshoring in United Nations system organizations: offshore service centres” (JIU/REP/2009/6).

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\* A/65/150.



*Summary*

The report of the Joint Inspection Unit entitled “Offshoring in United Nations system organizations: offshore service centres” explores the key factors that determine successful implementations of offshore facilities, using a case study approach.

The present report presents the views of United Nations system organizations on the recommendations provided in the report of the Joint Inspection Unit. The views of the system have been consolidated on the basis of inputs provided by member organizations of the United Nations System Chief Executives Board for Coordination, who welcome this report and agree that implementing offshoring facilities can result in economic advantages through economies of scale and relatively lower-cost staffing. Agencies generally agree with the recommendations, especially those that call for a complete analysis of the benefits and the drawbacks of an offshore facility, as well as the need for agencies to share experiences.

## I. Introduction

1. The report of the Joint Inspection Unit entitled “Offshoring in United Nations system organizations: offshore service centres” uses a case-study approach to suggest “benchmarks for United Nations system organizations to utilize when they consider offshoring administrative services”. The report reviews offshored facilities that provide administrative and financial services currently in place in several organizations and offers recommendations that guide policies and practices for operating these centres as well as for planning and managing the offshore process.

## II. General comments

2. The members of the United Nations System Chief Executives Board for Coordination (CEB) welcome this report of the Joint Inspection Unit, noting that the case-study approach examines the experiences of the Office of the United Nations High Commissioner for Refugees, the Food and Agriculture Organization of the United Nations, the World Health Organization and the World Food Programme with the intent of drawing lessons learned and establishing applicable benchmarks for the United Nations system organizations.

3. Agencies agree that implementing offshoring facilities can result in economic advantages through economies of scale and relatively lower-cost staffing. However, they suggest that creating service centres offers other benefits, such as internal capacity-building, citing the establishment of regional accounting shared services centres as one example that enables smaller country offices to leverage pooled expertise that they otherwise would not be able to attract competitively or cost effectively. This approach could prove particularly important as organizations move towards the adoption of the International Public Sector Accounting Standards (IPSAS) in the coming years, which may require new and different skill sets.

4. On the suggestion of a common/joint offshoring policy, as called for in paragraph 27 of the report of the Joint Inspection Unit, agencies note that this would require enhanced analysis, given the diverse needs of different United Nations system organizations. However, agencies generally agree that it is useful for those United Nations system organizations considering offshore services to be aware of existing arrangements and also learn relevant lessons from the experiences of leading practices within the United Nations system organizations.

## III. Specific comments on recommendations of the Joint Inspection Unit

### Recommendation 1

**The governing bodies of United Nations system organizations should request the executive heads, before offshoring services, to develop an offshoring policy which is based on the cost-benefit analysis of all sourcing options for the delivery of services and which is in alignment with the medium- to long-term corporate strategy of the organization. The policy should then be subject to the review and approval of the governing bodies. All inter-agency opportunities, including common/joint policy and project development, should be explored**

**exhaustively before organization-based offshoring policies and projects are prepared. (See recommendations 16 and 18.)**

5. Organizations express general agreement with the concept of developing an offshoring policy before creating their own offshore centres, and see as reasonable that these policies take into account all the relevant factors, including any inter-agency opportunities as well as submission for review and approval by governing bodies prior to implementation. Organizations that have implemented offshore centres indicate that this is the route they followed. However, organizations caution that, given the variety of factors to be considered (location, cost of living, availability of required infrastructure and human resources, etc.), generic offshoring policies risk becoming too general to be useful for the respective governing bodies, especially when discussed outside the budgetary framework.

### **Recommendation 2**

**The executive heads of United Nations system organizations should develop a comprehensive business case as the foundation for offshoring. It should include a cost-benefit analysis, major risks and countermeasures, and demonstrate a significant level of cost-effectiveness with increased or maintained service quality.**

6. While organizations strongly agree with the need for a comprehensive business case to drive any offshoring decision, they stress the need to ensure that all elements are taken into consideration, including staff-related costs, such as salaries and benefits in the new location, the cost of relocating and separating existing staff, the recruitment and retraining of new staff and the costs associated with monitoring and managing the centre. Agencies note that any such analysis itself can prove costly, and organizations should embark on such an endeavour only if they consider offshoring a likely eventuality.

### **Recommendation 3**

**The executive heads of United Nations system organizations considering establishing an offshore service centre should undertake a detailed analysis of alternative locations based on objective criteria, as part of the overall business case, and document the justification for their final preference. The analysis should be submitted to the governing bodies for their review.**

7. Organizations agree with the recommendation to undertake an analysis of alternative locations, which they note would already be included in the business case analysis referred to in other recommendations.

### **Recommendation 4**

**The executive heads of United Nations system organizations should negotiate with the prospective host country governments with a view to obtaining an agreement for the offshore service centre that is at least as favourable as similar agreements elsewhere. To this effect, they should share and coordinate their host country agreements for offshore service centres.**

8. CEB members support this recommendation, which they note can substantially enhance the appeal of an offshore location, especially if terms regarding the recruitment of non-nationals in the General Service category, the employment of

spouses and dependent relatives, tax exemption, diplomatic license plates, etc. are favourable to staff members and/or the Organization.

#### **Recommendation 5**

**The executive heads of United Nations system organizations should take all necessary measures to mitigate the impact of offshoring on the staff, and ensure that the full costs of those measures are reflected in the analysis of the overall costs of offshoring.**

9. Organizations agree with the recommendation to ensure the full costs of all measures to mitigate the impact of offshoring on staff members, which they note would already be included in the business case analysis referred to in other recommendations.

#### **Recommendation 6**

**The executive heads of United Nations system organizations should seek from governing bodies adequate earmarked funding for voluntary separation packages linked to offshoring.**

10. Organizations agree that the impact of offshoring on staff should be carefully managed and that the funding for measures to be taken to mitigate the effect on staff should be duly recognized in the overall analysis of the full cost of offshoring, as noted in recommendation 5. However, agencies stress that, while it makes sense for an organization to seek additional funding for relatively generous separation packages, the first priority of the organization should be to find meaningful alternative work opportunities for affected staff. In this context, the basis for requesting governing bodies to provide earmarked funding for separation packages linked to offshoring may not be appropriate. They note that voluntary separation and voluntary separation packages may not be the only option to deal with staff who cannot or do not want to be redeployed to another duty station in connection with the offshoring. Other options may include negotiating employment opportunities within the United Nations family at the headquarters location, taking a flexible approach to the movement of staff within the headquarters, and actively supporting staff in searching for other employment opportunities. Organizations would therefore have to take account of the resources that would be required in connection with voluntary separations and placement efforts.

#### **Recommendation 7**

**The governing bodies of United Nations system organizations should request the executive heads to maintain the international character of the organizations in staffing offshore service centres.**

11. Agencies agree that the international character of the organization should be maintained in offshore centres, but note that in the context of offshoring, the recruitment of local staff is important not only for the economic benefits of locally recruited staff (compared with costs associated with equivalent levels of international staff), it is also part of the consideration in the negotiation with the host Government in soliciting its support.

**Recommendation 8**

**The executive heads of United Nations system organizations should prepare change management and corporate communication strategies for the success of offshoring projects.**

12. Organizations agree that change management and corporate communication strategies form a critical component of successful offshore implementations.

**Recommendation 9**

**The executive heads of United Nations system organizations should create effective project management teams with strong leadership at the top and prepare detailed project plans for setting up offshore service centres.**

13. Agencies agree that, should they consider implementing an offshore facility, the initiative should be run by capable project teams that include strong leadership and support at the senior-most levels.

**Recommendation 10**

**The executive heads of United Nations system organizations should ensure the readiness of the enterprise resource planning system and the offshore service centre before going live. To this effect, appropriate tests should be done; and adequate staffing, infrastructural capacity, and enhanced training should be provided.**

14. Agencies concur that all relevant systems and processes should be tested to ensure the readiness of offshore facilities prior to going live.

**Recommendation 11**

**The executive heads of United Nations system organizations should ensure that the accountability framework is carefully assessed and established for the offshore service centres, including the development of service level agreements and clearly defined delegation of authority, and that these are integrated into the administrative policy instruments.**

15. Organizations agree that establishing a clear accountability framework, which includes appropriate service level agreements, represents a critical component of offshore service centre operations.

**Recommendation 12**

**The executive heads of United Nations system organizations should have in place effective knowledge transfer and training plans to facilitate the transition to offshore service centres. Training plans should be based on the assessment and identification of training needs.**

16. Organizations agree that effective knowledge transfer and training activities must form part of the offshoring implementation process, and note that the costs for these programmes and plans should be taken into consideration as part of the business case.

**Recommendation 13**

**The executive heads of United Nations system organizations should ensure that adequate security for staff and facilities is provided; information security is ensured; and business continuity and disaster recovery planning, including an exit strategy, is prepared for offshore service centres before going live.**

17. Organizations agree that security measures for staff, facilities and information, as well as plans for business continuity and disaster recovery, should be factored into any offshoring initiative. The costs associated with these components must also be taken into consideration as part of the business case.

**Recommendation 14**

**The executive heads of United Nations system organizations should establish regular monitoring and reporting mechanisms for offshore service centres, to demonstrate progress made in the achievement of objectives, including cost savings and improved service quality. There should be periodic reporting thereon, internally to senior management and externally to governing bodies.**

18. CEB members support this recommendation; they note, however, that these monitoring and reporting activities may themselves be resource intensive.

**Recommendation 15**

**The governing bodies of United Nations system organizations should exercise their oversight role in offshoring activities, including the implementation of policies, performance evaluation, and assessment of progress in achieving the objectives.**

19. Agencies are supportive of this recommendation, with some noting that interactions of this nature are already taking place between governing bodies and secretariats.

**Recommendation 16**

**The executive heads of United Nations system organizations should coordinate their offshoring initiatives with a view to achieving greater efficiencies in cooperation with other organizations. Before offshoring, they should explore all possibilities, including insourcing to existing offshore service centres and establishing joint service centres. To this effect they should present their offshoring plans and ideas in the relevant HLCM (High-level Committee on Management) working group meetings for discussion and brainstorming.**

20. Agencies generally support this recommendation, but express the view that, given the different organizational structures and governance mechanisms, the issue is not about the United Nations system organizations' "coordination of offshoring initiatives". Rather, they note the value of a forum like the High-level Committee on Management to enable sharing of relevant lessons learned, which also provides opportunities for potential dialogue between interested parties. The primary objective should be to share experiences rather than to coordinate.

**Recommendation 17**

**CEB through HLCM should facilitate the systematic sharing of offshoring experiences, lessons learned and possible offshoring plans, and expedite the consideration of the establishment of inter-agency shared service centres.**

21. While agencies support the general call by the Joint Inspection Unit for the High-level Committee on Management of the CEB to facilitate the systematic sharing of lessons learned on offshoring among United Nations system organizations, they note that the establishment of a joint inter-agency shared service centre and a joint offshoring policy framework is probably too ambitious at this point. As noted by the Joint Inspection Unit (in para. 133 of its report), there are challenges associated with differing information and communications technology platforms and different stages of maturity of enterprise resource planning systems, as well as differing administrative rules and regulations. This is further complicated by differing governance arrangements and budgetary frameworks. In addition, although the agencies agree with the assessment of the Joint Inspection Unit that “inter-agency cooperation and harmonization initiatives, coupled with technological developments, can and should overcome these problems” (para. 134), they stress that these initiatives and developments do not diminish the implementation challenges and management risks associated with offshore service centres.

**Recommendation 18**

**CEB through HLCM should discuss and initiate the development of a common/joint offshoring policy framework with a view to seeking greater efficiency through joint decision-making and project development processes.**

22. CEB members generally agree with this recommendation.

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