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

Report of the Joint Inspection Unit

Prepared by Gopinathan Achamkulangare
Review of contemporary practices in the external outsourcing of services to commercial service providers by United Nations system organizations

Report of the Joint Inspection Unit

Prepared by Gopinathan Achamkulangare

United Nations • Geneva, 2019
Executive summary

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

JIU/REP/2019/9

I. Introduction

There are several essential features that distinguish external outsourcing to commercial service providers from a standard procurement action. These include, among others: the strategic and long-term nature of the relationship with a service provider that outsourcing typically entails; the accountability that remains with the organization to ensure that the service is delivered on time and in line with established quality standards, even though almost all aspects of service production and delivery may be entrusted to a commercial service provider; the need to identify, assess and mitigate risks when key business process functions essential to the effective operation of the organization are outsourced; and the need to understand and retain all relevant knowledge in-house on how a service – which may be essential to an organization’s operations – is produced and delivered.

The review consequently makes a compelling case for organizations of the United Nations system to pay greater attention to outsourcing as a matter of strategic choice in procuring services and related goods, addressing “awareness deficits” with regard to its advantages and disadvantages, and putting in place systems and procedures that would facilitate due diligence measures, informed decision-making, and strengthened governance, accountability and oversight. While some challenges and benefits outlined in the present review may be salient to both outsourcing and other forms of procurement, they have been highlighted due to their perceived critical importance to outsourcing, from the perspective of both procurement practitioners and contract managers of outsourced services.

The Joint Inspection Unit (JIU) revisited the topic of outsourcing more than 20 years after its first review in 1997, which was followed by a partial review in 2002. The only other related review was undertaken in 2014 on post-award contract management. Consequently, considerable attention is devoted in the review to how outsourcing has evolved over this timespan, both inside and outside the United Nations system, and how the landscape has changed considerably, owing to rapid technological advancements in many areas where organizations have been outsourcing, such as information and communications technology (ICT) services, travel and translation. Many useful insights were gathered, and the suggestions and recommendations contained herein are based on these insights.

Consistent with the mandate of JIU, in the review the Inspector looks at outsourcing practices across the system from an oversight perspective, in order to suggest measures for improving and strengthening the mechanisms, structures, policies and procedures for the governance, accountability and oversight of outsourcing practices and processes. This is done with a view to enhancing cooperation and coordination among organizations of the United Nations system in these efforts and assisting the legislative organs and governing bodies, as well as the executive heads and senior management, in discharging their oversight responsibilities in this area.

A key finding of the present review is that adequate attention has not been paid to outsourcing by the United Nations system organizations over the past two decades. As a result, outsourcing decisions have often, in practice, been left to contract managers of individual services, resulting in suboptimal gains. Consequently, opportunities to realize considerable efficiencies and benefits from outsourcing have been missed.

The Inspector calls upon the executive heads to pay greater attention to outsourcing across their respective organizations; review current practices; and establish baselines, so as to enable data collection, monitoring and systematic reporting, in order to improve the management and administration of outsourcing within the organization.
In the present review, the Inspector looks at how organizations view outsourcing and analyses the gaps and weaknesses in the current practices. He seeks to assess the extent to which opportunities have been missed owing to the absence of a policy and regulatory framework, collection of data, monitoring of performance, and reporting. He assesses the compelling reasons for the entities to consider outsourcing and looks at the measures that they need to adopt as sound business practices.

The present review contains an analysis of whether the procurement regime, which largely focuses on goods, can adequately encompass outsourcing and its governance, accountability and oversight, and, if not, the features that should be added in order to enable it to do so. The Inspector seeks to identify the aspects that are not adequate and that warrant modifications, and what the additional requirements would be.

The present review contains an analysis of whether the procurement regime, which largely focuses on goods, can adequately encompass outsourcing and its governance, accountability and oversight, and, if not, the features that should be added in order to enable it to do so. The Inspector seeks to identify the aspects that are not adequate and that warrant modifications, and what the additional requirements would be.

The lack of awareness about outsourcing and its distinctive features has perhaps prevented the development of a coherent framework of structures, policies and accountability. Likewise, the absence of systematic tracking and monitoring, collection of data and regular reporting to the legislative organs on outsourced services has been a missed opportunity, as senior management has not been able to benefit from this useful management tool to study and appreciate the challenges of outsourcing different services.

The specificities and international character of United Nations system organizations need to be preserved when considering outsourcing, as the commercial template of the private sector, which is guided by the bottom line, cannot necessarily fully accommodate the intergovernmental decision-making structure, privileges and immunities and multicultural character of the United Nations system. Respect for human rights, decent work principles and sound environmental practices by vendors should be core considerations for United Nations system entities in deciding who to engage with. At the same time, the entities should learn to take full advantage of rapid advances in technology to enhance efficiencies and cut down costs. Therein lies the challenge before them.

The present review was included in the JIU programme of work for 2019 with a view to assessing the particularities of the external outsourcing of services and related goods to commercial service providers and how they can be best harnessed in the service of the organizations. The main findings and conclusions contained in the review and its seven recommendations are outlined below.

II. Background of external outsourcing: definition, mandates, policies, guidelines, reports and conceptualization

United Nations system entities lack dedicated policies, guidelines and procedures on outsourcing. Most of them consider outsourcing to be a part of normal procurement activities and therefore assume that the policy and regulatory framework governing procurement also governs outsourcing.

In the present review, the Inspector clarifies how the decision to outsource and the process of outsourcing are distinct from the classic procurement of goods, and how this distinction warrants greater attention and a more refined conceptualization of external outsourcing than that accorded hitherto. He makes the distinction that outsourcing is a business strategy that results from a conscious and deliberate exercise of choice (“right-sourcing”), whereas procurement is a business enabler that involves the sourcing of goods, work and services to respond to the business needs of the organization, in adherence to a set of laid-down rules, regulations and procedures. Unlike the latter, which supplements the operational capacity of the organization, outsourcing determines the business imperatives to engage a service provider or providers based on a long-term relationship. As such, the service provider may become an integral part of the entity’s
operations, regardless of the engagement modalities. This exposes the entity to several risks that it must assess and mitigate.

In the present review, the Inspector also delves into the existing definitions of outsourcing and their limitations in the present-day context. While the traditional differentiation between core and non-core activities and services in deciding what can be outsourced may have become blurred, many pointed out that the distinction is no longer about the source of funding. Rather, it is more about the nature of the function, which is specific to the organization. What might be non-core for one entity might be core for another and vice versa. The United Nations has moved away from the categorization of core and non-core to strategic and non-strategic goods and services. For example, the supply, storage and distribution of fuel in peace operations would be treated as a strategic procurement of goods and services. Any such distinction as to what is core and non-core or strategic and non-strategic should no doubt be left to individual entities to determine, so long as the need for careful consideration, and for making sound, well-informed and judicious decisions in each case, is clearly recognized.

It is up to each entity to decide if it will benefit from conceptualizing outsourcing as a distinct activity, defining it and outlining a policy and related guidelines and procedures. Such conceptualization would help the entity to assess its needs and requirements in procuring services externally from commercial service providers over the next 10 years or so, and to make appropriate decisions on allocating and investing the necessary financial and human resources.

III. Landscape of outsourcing: services outsourced and corresponding expenditures, rationale, criteria and principles

The review includes a bird’s-eye view of the total volumes of outsourcing by 23 reporting organizations for available years between 2012 and 2018, how they compare with overall expenditure on procurement and with overall organizational expenditure, the volumes of outsourcing for 22 broad categories of services identified by JIU, as well as year-by-year trends by organization and service.

The total volume of outsourcing by 23 United Nations system organizations amounted to $22.4 billion, with six organizations having volumes over $1 billion, eight organizations with volumes between $50 million and $450 million, and nine with volumes less than $36 million.

With regard to the volume of outsourcing by the 22 broad categories of services, 8 categories exceeded volumes of over $1 billion, 6 categories had volumes between $300 million and $1 billion, and 8 had volumes less than $300 million. While only four high-volume categories – logistics (air, sea and land transport and storage), facilities construction, engineering services, and real estate and utilities – generally have no feasible in-house alternatives due to the costs associated with having the infrastructure in place to deliver them, all other categories include services that are either produced entirely in-house or are partially or largely outsourced.

When comparing the volume of outsourcing to overall procurement, the proportion of outsourcing is significant for 15 organizations, where it ranges between 10 per cent and 60 per cent of overall procurement. When comparing the volume of outsourcing to overall organizational expenditure, the proportions are again significant for 12 organizations, where outsourcing comprises between 5 per cent and 20 per cent of total organizational expenditure.

Outsourcing clearly is not an insignificant component of organizational expenditure in most JIU participating organizations and has trended upwards, increasing by 25.8 per cent in the 15 organizations that have reported outsourcing data for all seven years from 2012 to 2018. Additionally, when comparing expenditures for the earliest to the most recent year for which the 23 organizations reported data, expenditures increased in 17 of the 23 organizations and for 15 of the 22 broad service categories. The reasons for outsourcing these services, any existing criteria and the principles utilized are explained in detail in the review.
IV. Challenges and associated risks of outsourcing

In undertaking outsourcing activities, organizations have faced a host of challenges and associated risks in their outsourcing relationships and arrangements – some with mitigating factors and accompanying opportunities and solutions. Some challenges and risks affect outsourcing relationships in general, irrespective of location, and are largely related to: (a) national laws; (b) interests of Member States; (c) particularities of intergovernmental organizations; (d) financial rules and regulations and procurement policies; (e) specialized and customized services; (f) volume and costs of outsourcing; (g) internal capacity, control and communication constraints; (h) physical and information security considerations; (i) poor vendor performance and inappropriate vendor conduct and practices; and (j) other factors.

Other challenges and risks are specific to outsourcing to developing countries, to outsourcing in humanitarian emergency and crisis contexts and outsourcing by peacekeeping operations. In the present review, the Inspector details such challenges in depth, as well as any potential solutions and mitigating factors identified.

V. Benefits of outsourcing and opportunities presented through its evolution

A. Benefits realized by outsourcing services

Based on their experiences in outsourcing, organizations have realized a diverse array of tangible and non-tangible benefits. Non-tangible benefits realized include: greater flexibility and speed in meeting surges in demand and changing needs of organizations; options to ensure business continuity; access to the latest financial market knowledge and technological tools and skills; and a more impartial implementation of rules.

Tangible benefits in terms of cost savings have been realized through means that include: more favorable contractual terms and rates on services; lower contract administration burdens; volume discounts; organizational status discounts; lower personnel costs; on-demand and part-time personnel; absorption of losses by vendors; a flat fee for services; and the elimination of equipment acquisition and maintenance costs. Financial gains have also been realized through higher returns on investments through the outsourcing of management.

One of the most significant benefits attained has been through consolidation. In earlier years, contract managers tended to sign individual contracts for each piece of work, which led to inefficiencies, made enormous demands on their time and dispersed responsibility for performance among a large number of service providers. The trend has reversed in recent years, and many entities have found virtue in consolidating multiple services into one consolidated contract. Such consolidation should be undertaken within reasonable limits and should factor in the potential impact on contractual performance. This has resulted in important changes in the way contracts are drawn up.

The process of consolidation has led to greater efficiency, as the contract manager has to deal with fewer contracts, has more time to devote to overseeing performance and can hold one vendor responsible for the performance for a multiplicity of services from within one consolidated contract. Such consolidation should be undertaken within reasonable limits and should factor in the potential impact on contractual performance. This has resulted in important changes in the way contracts are drawn up.

The process of consolidation has led to greater efficiency, as the contract manager has to deal with fewer contracts, has more time to devote to overseeing performance and can hold one vendor responsible for the performance for a multiplicity of services from within one consolidated contract. Such consolidation helps the contract manager to address quality assurance issues by dealing with one vendor instead of several, as would have been the case if there had been multiple contracts.

Many examples can be cited in this regard, ranging from cleaning and maintenance to travel, security and ICT services. Most entities seem to agree that such consolidation has contributed enormously in achieving efficiency gains by reducing transaction costs and transaction time and by eliminating unnecessary layers of control and excessive demands of internal and external coordination on the contract managers. The process would no doubt depend on the nature and characteristics of the service outsourced and the availability of vendors with sufficient expertise and experience.
B. Evolution of outsourcing arrangements

Outsourcing practices have also evolved in many ways over the past two decades owing to several factors, important among them being rapid advances in technology, especially in information and communications technology, and the growth of organizations and changes in their mandates, business and funding models, their needs and requirements, and the legal and regulatory environments in which they operate.

Technological changes have had implications for the way all public and private sector enterprises organize and go about their business. These apply to a variety of situations, whether they be the use of algorithms and its impact on air travel and hotel room bookings, the concept of dynamic pricing, or the advent of smart mobile phones and its impact on markups by hotels for long-distance telephone calls, to cite only a few. Indeed, few entities would have engaged specialist firms for tracking coverage in the media of their executive heads and their travels even 10 years ago. Today, the practice appears common place. Similarly, only very few would have outsourced investment decisions regarding their assets a few years ago. Today, that appears to be a common occurrence. Other services such as security, travel and translation appear to have been impacted significantly by technological advances.

All these have had an impact on the way enterprises are run and services are outsourced. It is debatable whether the entities of the United Nations system have been agile and nimble-footed enough to adapt themselves to these technological changes, to fully utilize them and to achieve efficiency gains. The review contains detailed descriptions of some of the rapid technological changes and innovations in respect of outsourced services, the benefits that have been realized and the adaptations needed in overseeing outsourcing, factoring in innovations and future opportunities.

VI. Improving decision-making on outsourcing: analysis of costs, benefits and risks

A. Cost-benefit analysis

One of the most basic elements of choosing a sourcing option is to undertake an initial analysis of all direct, indirect and non-tangible costs and benefits associated with each sourcing option to determine the one that is the most beneficial for the organization. While details are contained in the review of several illustrative examples of cost-benefit analysis conducted by organizations to arrive at a better-informed decision, there is no common template or methodology used across the board for the conduct of a cost-benefit analysis. This results in a situation where the decision is left to the individual contract manager responsible for the outsourcing of the service concerned.

This would imply that the methodology and the associated factors are not applied consistently. The Inspector advocates putting in place a methodology that is adapted to contemporary practices of outsourcing and to the specific circumstances of the entity concerned. Additionally, many entities pointed out that, in right-sourcing or disruptive outsourcing, cost is not the sole consideration. Moving away from cost, other factors too can contribute to efficiency gains, especially with the impact of technology and the application technologies such as robotics and artificial intelligence.

The Inspector advocates factoring in immunities and privileges enjoyed by the United Nations entities when undertaking cost-benefit analysis. One useful example is how the United Nations House in Copenhagen utilized its exemption from the payment of local taxes to revert from outsourcing to insourcing its facilities cleaning services. The high wage structure in the local labour market further incentivized and assisted in such a reversal.

B. Assessment of risks

The Inspector underscores the need for a risk-based approach to inform outsourcing policies and practices of organizations, as outsourcing to third party vendors can expose the organization to many types of risk, namely operational, reputational, legal, country/field, strategic, exit-strategy, counterparty, systemic, concentration, compliance, cyber, contractual and financial risks. Therefore, it becomes important for entities to ensure that commercially outsourced services under their purview are subject to the conduct of periodic risk
assessments, and that appropriate risk assessment guidelines are developed by the relevant functions in each organization. In this context, the review identifies several useful measures in place in organizations to assess and mitigate risks.

For example, the risk of a contract manager pleading at the last minute for an automatic extension can be overcome by putting in place a red-flagging alert in the management information system or the enterprise resource planning system of the entity and setting the alert to turn on, say, 12 or 18 months before the expiry of the outsourced contract. Organizations should identify and put in place measures to prevent possible collusion among vendors or collusion between staff and vendors or excessive dependence of the contract manager on the service provider.

A significant risk faced by entities is the sudden termination of operations by the service provider for various reasons. Many entities pointed to the difficulties they had had to deal with when faced with such an unexpected eventuality. Even though infrequent, this has happened with service providers in ICT, maintenance and a few other sectors. Sudden closure of large outsourcing firms has led to serious problems in the public and private sectors in some industrialized countries. Awareness about such contingencies should help United Nations entities to take measures to assess and mitigate the associated risks. In sum, the Inspector advocates a risk-based approach to making critical choices about the procurement of services from a commercial service provider or third party vendor.

VII. Improving vendor selection and post-award contract management for outsourced services

A. Vendor selection process

Once a decision has been made to outsource, the vendor selection process becomes key to ensuring that the right party with the necessary capacity has been selected to engage in a contractual arrangement where the deliverables, quality standards and timelines are clearly laid out. In this context, 14 good practices and two recommendations regarding vendor selection that merit consideration and replication are identified in the review, with some select ones highlighted below.

Conduct of market research

For any outsourced service, the contract manager concerned should invest a minimal amount of financial and human resources in business intelligence and market surveys, in order to identify the state-of-the-art technology and the number of reputed, reliable and experienced service providers available in the market, both locally (in respect of field presences) and globally. The procurement divisions or units in entities should develop standard templates for use in such exercises.

Utilization of user feedback and external expertise

While revising the terms of reference, the contract manager should start with the existing contract and identify the performance issues encountered during its implementation, lessons learned and good practices. This should be followed by a detailed exercise in consultation with all concerned, especially the procurement, legal and finance units, to seek inputs about changes in: local laws and regulations; labour laws; regulations concerning the use of hazardous substances and chemicals; environmental and sustainability norms; safeguards and standards; and the latest available technology, processes and possible innovations. These should be incorporated appropriately into the revision. Where necessary, external expertise should be sought and consultant(s) engaged.

Development of relevant key performance indicators

Key to effective contract management is the development of practical and meaningful key performance indicators that are easily measurable. This helps the contract manager to ensure that the vendor has been performing according to contractual terms and stipulated quality requirements, meets the key performance indicators and fulfils all obligations in this regard. This presupposes that the contract manager possesses the skill sets required to effectively perform this function, especially with regard to quality assurance.
Two main concerns have been raised with regard to key performance indicators: firstly, that many contract managers needlessly make the list of indicators excessively long in an effort to “play safe”, and secondly, that a large number of indicators do not help in determining the fulfilment of the stipulated tasks, particularly quality aspects. Many interviewees emphasized that the key performance indicators should be chosen carefully and meaningfully, that they should be limited to a manageable number that can measure and capture all critical areas, and that they should be designed to capture actual performance on the ground and not merely serve as a mechanical box-ticking exercise.

**Tailoring contract duration to the nature of the outsourced service**

The Inspector advocates reviewing a critical area of outsourcing, namely the typical duration of a service contract. In the present review, he points to making possible efficiency gains by considering a longer duration when the maximum permissible period with extensions is no more than five years. Longer durations may be useful in instances when: highly customized services require major expenditure in initial development; the tendering process can take a long time; services are from a monopolistic market and are expected to remain unchanged; or it is highly time-consuming or complicated to transition from one vendor to another.

**Encouraging participation of small and medium-sized vendors**

In order to move away from the situation where all contracts were going to the same corporate conglomerates, the European Commission adopted a political statement to proactively encourage the participation of small and medium-sized enterprises to compete effectively. This is accomplished in practice by dividing the procurement into small lots to enable such enterprises to compete, and by requiring bidders to have a minimum turnover of only double the estimated value of the contract. Small and medium-sized enterprises are also allowed to form a consortium and bid as one entity.

In the United Nations system, useful instances of accommodating local suppliers include provisions in global computer supply agreements for local suppliers to provide and maintain equipment. A similar arrangement existed in respect of the purchase of vehicles, where systems contracts would provide for purchase at the global level, while servicing and maintenance would be at the local level.

**B. Post-award contract management**

Post-award contract administration and management encapsulates the ongoing monitoring and management of the vendor’s performance and obligations in relation to contracted services. Vendor monitoring, performance assessment, contract renewal, the handling of vendor transition, and information and knowledge management vis-à-vis lessons learned become key components of post-award contract management. In this context, the Inspector identified 11 good practices and made a recommendation regarding post-award contract management for the consideration of organizations, with some select ones highlighted below.

**Developing strategic relations with vendors**

Managing the relationship between the entity and the vendor is one of the most challenging areas in outsourcing. On the one hand, the entity needs to put in place measures to avoid possible vendor lock-in, vendor collusion and dependence on the vendor. On the other hand, it has to develop and nurture a long-term relationship of trust and partnership with the vendor in order to ensure and extract optimal performance. As much of the value of relationships between vendors and suppliers lies in the post-contract phase, due to innovative solutions that vendors can bring to a relationship, organizations stand to benefit from a two-way relationship whereby more strategic relations with vendors are developed, rather than viewing them merely as implementers.

**Improving contract monitoring and quality assurance**

To improve contract monitoring, several organizations have developed online tools that should be considered for replication by other organizations to further efficiency and reduce delays. Such tools allow for the enterprise resource planning systems of the
organization and vendor to exchange information, such as reporting on key performance indicators, and for business units to issue contracts and performance evaluations through the enterprise resource planning system and to receive alerts on delivery and contract expiration dates. Organizations have also established multiple layers of quality assurance and have recommended the same for vendor monitoring, including at the level of the requisitioning office monitoring vendor performance, and at the level of the function specialized in contract management overseeing all outsourced contracts.

Enforcing compensation and termination clauses

Many contracts have provisions for credits or compensation when a target is not met or when there is underperformance or there are problems with the quality of the service delivered. Additionally, the incorporation into contracts of clearly enforceable early termination clauses on the grounds of poor performance, non-performance or breach of contract are also necessary measures for organizations to reduce risks and cut losses. Several useful practices in this regard exist in entities outside the United Nations system, which could be considered for replication by the system organizations.

Clearly establishing vendor transition arrangements

Ensuring a smooth transition from an existing vendor to a new vendor is a major challenge and requires care and attention on the part of the organization. Some entities have put in place detailed procedures for the exit of an existing vendor and the induction of a new vendor. Some write into the contracts the obligation of the exiting vendor to ensure a smooth handover, including knowledge transfer, and provide for an overlap between the incoming and exiting vendor. Some also provide for the intake and retention of staff as required by local laws and regulations (e.g. in the areas of catering and cleaning). The need for procedural guidelines for managing the transition is acknowledged by several organizations. In many cases, the process involves the presence of the entity’s staff at critical moments or processes.

VIII. Strengthening coordination, capacity and oversight of outsourcing

A. Strengthening internal coordination of and leadership in outsourcing

Given that outsourced services are managed by different contract managers within their respective areas of responsibility and competence, it would be advantageous to have a mechanism for coordination within an entity that can bring together the managers’ experiences with different vendors, good practices and lessons learned. In some cases, the procurement units felt that they were being marginalized in managing outsourcing. Equally, in other cases, the contract managers felt that they were less than fully involved and that the procurement personnel had a disproportionate say in matters relating to outsourcing of specific services.

The designation of a focal point on outsourcing within an organization could help to ensure that, irrespective of the specificities of its structure and the ways in which communication flows through that structure, a dedicated individual or entity exists to coordinate the work of different departments and units with a relevant role to play in outsourcing, and to inform staff about practices, policies, procedures and responsibilities related to outsourcing. Such a practice would facilitate entity-wide coordination efforts and prevent their fragmentation. It would also help in cataloguing lessons learned and good practices, in facilitating organizational learning, knowledge production, management and sharing, and in setting up a system-wide community of practice.

B. Enhancing internal capacity of contract managers

In respect of any service outsourced, there is a need to strengthen the internal control framework in order to measure and monitor performance of the vendor, provide quality assurance checks and oversee key performance indicators. This would demand a higher level of skill sets than if the service were insourced. Accountability cannot be outsourced; it remains with the entity or the contract manager, even if risks can be outsourced to some extent. Only the contract manger, not the contractor or the vendor, will be held responsible for providing quality assurance for the outsourced service. It is imperative that the contract manager’s job description and performance appraisal should include monitoring of outsourced service contracts and observing strengthened internal controls and quality
assurance. Anecdotally, many interviewees admitted that, once outsourced, the internal controls tended to be lax, and that the entity suffered as a result.

While most organizations lay great stress on providing training to officials engaged in procurement activities, there is no dedicated training specifically for outsourcing-related procurement of services. Interviewees highlighted several deficiencies in the capacity of contract managers for outsourced services, including: an inability to describe the needs and corresponding technical specifications due to a lack of domain knowledge and failure to conduct market research; a lack of awareness of technological innovations and inability to grasp how such innovations could be factored into service requirements; lack of familiarity with procurement rules and procedures; and an inability to link payment to performance. To address these deficits, contracts managers and procurement officials highlighted the need for, inter alia, training on essential elements of post-award contract management, the measurement of performance and use of key performance indicators, provision and checking of quality assurance steps, and tracking, monitoring and reporting.

C. **Furthering inter-agency coordination of outsourcing**

The need for systematic sharing of information, experiences and expertise about outsourcing practices through the relevant inter-agency forums and coordination mechanisms was underscored by many entities. Many interviewees felt that the current level of exchange of information, experiences and documentation is suboptimal and less cost-effective, and that the fear of losing privileged deals by sharing them on public platforms persists. Most of the exchanges are only through informal channels, and, though they are quite frequent, there seems to be no leadership for a formal exchange.

Entities must be incentivized to overcome institutional inertia and the default setting of invoking “unique mandate” and “specificities” and to display a greater sense of a common purpose in working together. The Inspector calls for the utilization of existing procurement and other relevant networks and platforms for the purpose of exchanging information, experiences, templates of agreements, lists of debarred and sanctioned vendors and other relevant documentation, such as market survey reports and vendor performance reports following contract expiry. Entities can join together and negotiate collectively with the vendors for better terms. Already, many such location-specific mechanisms are in place, which have led to concrete economic gains in a number of outsourced service areas. Entities can also set up a community of practice.

D. **Reporting on and oversight of outsourcing practices**

As outsourcing practices have grown considerably in volume, scope and diversity over the years in most United Nations organizations, the legislative organs and senior management would benefit from information gathered from the monitoring of the performance of vendors to whom services have been outsourced, the systematic collection of data and regular reporting of that data. It would serve as an effective management tool and would also enable the legislative organs and governing bodies to exercise oversight and provide strategic guidance to the entities in respect of outsourcing activities.

While there have been various oversight reports on a number of outsourced services, the topic of external outsourcing of services to commercial service providers has not received due attention in the work of the oversight offices of the organizations of the United Nations system. Consequently, few recommendations have emerged on the subject matter, and oversight offices should do more to periodically review organizational-level risks associated with outsourcing to commercial service providers and should report on their findings and recommendations to executive heads and legislative bodies.

In sum, in the present review, the Inspector provides a tool-kit for organizations to improve how outsourcing of services to commercial service providers is conducted and managed. He outlines essential elements for consideration, which include: the conduct of rudimentary business intelligence and market surveys; assessment of current and future needs; policy, regulatory framework and procedures; cost-benefit analysis; due diligence measures; standard operating procedures for selection of vendors and indicators for measuring their performance; strengthened internal control frameworks; vendor risk assessments; training and internal coordination, including the
designation of a focal point as needed; systematic data collection, monitoring and reporting to legislative organs and governing bodies; organizational learning and knowledge management; and enhanced cooperation and coordination among organizations.

IX. Recommendations

Of the seven formal recommendations for action contained in the present report (see annex XII), six are addressed to the executive heads of all JIU participating organizations and can be dealt with as part of management reform processes where relevant. While only one is addressed to the legislative bodies (recommendation 2), the timely and effective implementation of the other six will be greatly facilitated by the explicit support of the legislative bodies for these recommendations and their follow-up with the executive heads to verify implementation.

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.

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.

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.

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.

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.

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.

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.
The formal recommendations are complemented by 43 informal or “soft” recommendations, indicated in bold text, as additional suggestions, typically in the form of good or best practices, to the executive heads, procurement officials and contract managers, for effecting further improvements. The soft recommendations can be found in the following paragraphs: 60, 62, 124, 140, 148, 149, 167, 174, 176, 180, 185, 189, 198, 202, 203, 204, 208, 213, 220, 223, 234, 243, 244, 245, 249, 250, 251, 252, 254, 257, 269, 275, 278, 281, 282, 283, 285, 304, 307, 308, 311, 313 and 331.
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive summary</strong></td>
<td>iii</td>
</tr>
<tr>
<td>Abbreviations</td>
<td>xvii</td>
</tr>
<tr>
<td><strong>I. Introduction</strong></td>
<td></td>
</tr>
<tr>
<td>A. Context</td>
<td>1</td>
</tr>
<tr>
<td>B. Objectives and scope of the review</td>
<td>1</td>
</tr>
<tr>
<td>C. Approach and methodology</td>
<td>3</td>
</tr>
<tr>
<td>D. Limitations</td>
<td>6</td>
</tr>
<tr>
<td><strong>II. Background of external outsourcing: definition, mandates, policies, guidelines, reports and conceptualization</strong></td>
<td>7</td>
</tr>
<tr>
<td>A. Defining outsourcing</td>
<td>7</td>
</tr>
<tr>
<td>B. Mandates, policies and reports in the United Nations</td>
<td>8</td>
</tr>
<tr>
<td>C. Mandates, policies, guidelines and procedures in other Joint Inspection Unit participating organizations</td>
<td>10</td>
</tr>
<tr>
<td>D. Conceptualizing outsourcing</td>
<td>12</td>
</tr>
<tr>
<td><strong>III. Landscape of outsourcing: services outsourced and corresponding expenditures, rationale, criteria and principles</strong></td>
<td>14</td>
</tr>
<tr>
<td>A. Approach to categorization of outsourced services</td>
<td>14</td>
</tr>
<tr>
<td>B. Outsourcing volumes relative to procurement and total organizational expenditure</td>
<td>14</td>
</tr>
<tr>
<td>C. Volume of outsourcing by organization</td>
<td>16</td>
</tr>
<tr>
<td>D. Volume of outsourcing by service</td>
<td>19</td>
</tr>
<tr>
<td>E. Rationale for outsourcing</td>
<td>24</td>
</tr>
<tr>
<td>F. Criteria and principles of outsourcing</td>
<td>25</td>
</tr>
<tr>
<td><strong>IV. Challenges and associated risks of outsourcing</strong></td>
<td>27</td>
</tr>
<tr>
<td>A. General outsourcing challenges and risks and associated mitigating factors and solutions</td>
<td>27</td>
</tr>
<tr>
<td>B. Outsourcing to service providers in developing countries</td>
<td>32</td>
</tr>
<tr>
<td>C. Outsourcing in humanitarian emergency and crisis contexts</td>
<td>35</td>
</tr>
<tr>
<td>D. Outsourcing by peacekeeping operations</td>
<td>36</td>
</tr>
<tr>
<td><strong>V. Benefits of outsourcing and opportunities presented through its evolution</strong></td>
<td>40</td>
</tr>
<tr>
<td>A. Benefits realized by outsourcing services</td>
<td>40</td>
</tr>
<tr>
<td>B. Evolution of outsourcing arrangements</td>
<td>44</td>
</tr>
<tr>
<td>C. Evolution in information and communications technology-related outsourcing</td>
<td>44</td>
</tr>
<tr>
<td>D. Benefits realized through technological innovations in other outsourced service areas</td>
<td>46</td>
</tr>
<tr>
<td>E. Opportunities for future outsourcing</td>
<td>47</td>
</tr>
<tr>
<td><strong>VI. Improving decision-making on outsourcing: analysis of costs, benefits and risks</strong></td>
<td>49</td>
</tr>
<tr>
<td>A. Cost-benefit analysis</td>
<td>49</td>
</tr>
<tr>
<td>B. Assessment of risks</td>
<td>53</td>
</tr>
</tbody>
</table>
VII. Improving vendor selection and post-award contract management for outsourced services........ 57  
   A. Vendor selection process .................................................................................................................. 57  
   B. Post-award contract management .................................................................................................. 62  

VIII. Strengthening coordination, capacity and oversight of outsourcing............................................. 68  
   A. Strengthening internal coordination of and leadership in outsourcing........................................... 68  
   B. Enhancing internal capacity of contract managers ......................................................................... 70  
   C. Furthering inter-agency coordination of outsourcing ......................................................................... 72  
   D. Reporting on and oversight of outsourcing practices ......................................................................... 73  

IX. Concluding remarks ......................................................................................................................... 76  

Annexes  

I. Definitions of outsourcing.................................................................................................................... 77  
II. Mandates, legislation, policy, rules and regulations, strategic framework provisions, guidelines and procedures.......................................................................................................................... 79  
III. Total expenditure on outsourcing by organization ........................................................................... 81  
IV. Proportion of expenditure on outsourced services by organization.................................................... 88  
V. Expenditure on 22 broad categories of outsourced services ............................................................... 96  
VI. Miscellaneous outsourced services not categorized ........................................................................... 101  
VII. Outsourcing principles ....................................................................................................................... 103  
VIII. Services for potential future outsourcing, rationale and risks ......................................................... 105  
IX. Processes and procedures for outsourcing ........................................................................................ 106  
X. Risks associated with outsourcing ...................................................................................................... 107  
XI. Training sessions relevant to outsourcing delivered by organizations between 2012 and 2018........... 108  
XII. Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit ......................................................................................................................................... 109
Abbreviations

CEB United Nations System Chief Executives Board for Coordination
ESCWA Economic and Social Commission for Western Asia
FAO Food and Agriculture Organization of the United Nations
IAEA International Atomic Energy Agency
ICAO International Civil Aviation Organization
ICT information and communications technology
IDB Inter-American Development Bank
IFAD International Fund for Agricultural Development
ILO International Labour Organization
IMF International Monetary Fund
IMO International Maritime Organization
ITC International Trade Centre
ITU International Telecommunication Union
JIU Joint Inspection Unit
MONUSCO United Nations Organization Stabilization Mission in the Democratic Republic of the Congo
OECD Organization for Economic Cooperation and Development
OIOS Office of Internal Oversight Services
PAHO Pan American Health Organization
UNAIDS Joint United Nations Programme on HIV/AIDS
UNCTAD United Nations Conference on Trade and Development
UNDP United Nations Development Programme
UNEP United Nations Environment Programme
UNESCO United Nations Educational, Scientific and Cultural Organization
UNFPA United Nations Population Fund
UN-Habitat United Nations Human Settlements Programme
UNHCR Office of the United Nations High Commissioner for Refugees
UNICEF United Nations Children’s Fund
UNIDO United Nations Industrial Development Organization
UNIFIL United Nations Interim Force in Lebanon
UNODC United Nations Office on Drugs and Crime
UNOPS United Nations Office for Project Services
UNRWA United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN-Women United Nations Entity for Gender Equality and the Empowerment of Women
UNWTO World Tourism Organization
UPU Universal Postal Union
WFP World Food Programme
WHO World Health Organization
WIPO World Intellectual Property Organization
WMO World Meteorological Organization
I. Introduction

A. Context

1. External outsourcing is the process of contracting out a business process, which an organization may have previously performed internally or which the organization deems necessary or important, to an independent company, supplier or contractor, where the process is purchased as a service. This has been an ongoing practice in the United Nations system organizations since their inception and continues to the present day, accounting for $22.4 billion in expenditure by 23 organizations, based on data for available years between 2012 and 2018. It is one of several sourcing options that organizations utilize, allowing them to acquire services that, while not necessarily core to their mandate, are critical in facilitating their effective functioning.

2. While the total expenditure of external outsourcing exceeded $1 billion in six organizations\(^1\) and was over $100 million in five other organizations\(^2\) in the 2012–2018 period, there is no specific consideration of, or regular reporting on, the subject matter in any organization. While external outsourcing is viewed by most organizations as part and parcel of regular procurement activities, the Inspector has found that it has some clearly distinguishable elements and is accompanied by a host of opportunities and risks, which must be factored in during processes to procure such services.

3. If given due consideration in line with its particularities, whereby opportunities are assessed and risks mitigated, external outsourcing can serve as an important tool in supporting the work of the organizations to deliver on their mandate and, in particular, in supporting Member States in their efforts towards the attainment of the Sustainable Development Goals.

4. To assess the particularities associated with the external outsourcing of services and related goods to commercial service providers and how they can be best harnessed in the service of the organizations, the Joint Inspection Unit (JIU) reviewed contemporary practices in outsourcing in the United Nations system organizations as part of its programme of work for 2019, following a proposal submitted by the United Nations.

B. Objectives and scope of the review

5. The objective of the present review is to assess the strengths, weaknesses, opportunities and threats of utilizing the option of external outsourcing, and to outline what exists in terms of legislation and policy to enable the consideration of this option. In the present review, the Inspector intends to facilitate a clearer understanding by legislative bodies and executive heads of the current status of external outsourcing by providing an overall picture of the volume, types, contemporary practices and trends in external sourcing to commercial service providers, as well as by delineating opportunities and associated risks. By identifying gaps or barriers in existing practices, the Inspector intends to provide a basis for suggestions for improvement vis-à-vis the existing frameworks for external outsourcing.

6. The scope of the review is system-wide, covering all JIU participating organizations that have engaged in the external outsourcing of services and related goods to commercial service providers between 2012 and 2018. This time period was chosen to adequately assess

---

\(^{1}\) The Food and Agriculture Organization of the United Nations (FAO), the United Nations, the United Nations Development Programme (UNDP), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children’s Fund (UNICEF) and the World Food Programme (WFP).

\(^{2}\) The International Telecommunication Union (ITU), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Office for Project Services (UNOPS) and the World Intellectual Property Organization (WIPO).
outsourcing volumes and trends in recent years, particularly the last three biennia. Additionally, to glean good practices for procedural aspects related to external outsourcing, the experiences of other international organizations were solicited.

7. Except for illustrative or comparison purposes, the following sourcing options are not covered in the present review, as they are distinct from external outsourcing and have been covered in extensive detail in previous JIU reviews:

- **Insourcing:** The provision of services by organizations belonging to and within the United Nations system.
- **Offshore insourcing:** Relocation of an organization’s business processes to another country (typically a lower-cost duty station) while still being kept in-house.
- **Common services:** Services jointly financed and managed by a group of offices pertaining to the United Nations system.
- **Shared services:** The provision of commonly used services by one group in an organization instead of having the service provision replicated in multiple units, such as a service managed by one office of a United Nations system entity and provided to other offices of United Nations system entities. It can be an inter-agency arrangement or a shared service within the same organization.
- **Pooled services:** Individual participating offices of United Nations system entities contributing towards a common service in kind rather than in cash.
- **Implementing partners:** National government entities (including agencies or institutions); non-governmental organizations and civil society organizations; United Nations system agencies and organizations acting as implementing partners; non-United Nations multilateral and intergovernmental entities; and other entities (academia, research institutions, etc.) with which United Nations system organizations enter into agreements and allocate resources to execute or implement programmes, projects and activities for the organization’s beneficiaries.
- **United Nations system – Private sector partnership arrangements:** Where partnership is defined as: “A voluntary and collaborative agreement or arrangement between one or more parts of the United Nations system and the business sector, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to coordinate their respective responsibilities, resources and benefits. Nothing in such a partnership should be deemed to establish either party as the agent of the other party or create a legal partnership or joint venture between the parties. Neither party has power to bind the other party to any specific course of action without that party’s consent, or to contract in the name of the other party, or to create a liability against the other in any manner whatsoever.”

8. In the present review, the Inspector does not enter into the finer details of contract management or procurement policies and practices. Both topics have been extensively reviewed in previous JIU reports and notes dedicated to the subject matter. However, the fact that various challenges, benefits and remedial measures highlighted in the review as immediately relevant to outsourcing are also applicable to other forms of procurement does not make them any less salient for outsourcing. Additionally, while in the present review the Inspector attempts to provide an overarching picture of the types of services outsourced and corresponding trends, he does not elaborate on how specific services are outsourced. It may be noted that previous JIU reports have touched upon outsourcing as relates to reviews of specific services and functions.

9. JIU participating organizations noted that they do not explicitly utilize the term “commercial service provider” but rather encompass it under broader procurement terms

---

such as “third party”, “contractor”, “supplier” and “vendor”. For the purposes of the present review, organizations were requested to speak about and provide data only on instances where vendors, suppliers, contractors or third parties were “commercial service providers”.

C. Approach and methodology

10. The approach of the review is to assess policies, contemporary practices and procedures related to external outsourcing by entities of the United Nations system to commercial service providers or third party vendors (the two terms are used interchangeably throughout the report), with a view to suggesting improvements in them and thereby improving aspects relating to governance, accountability and oversight of external outsourcing. It builds on the foundation and perspectives provided by three previous JIU studies, namely, a study on the challenge of outsourcing for the United Nations system (JIU/REP/97/5), a management audit review of outsourcing in the United Nations and United Nations funds and programmes (JIU/REP/2002/7), and a study on contract management and administration in the United Nations system (JIU/REP/2014/9).6

11. The approach is intended to assess, analyse and identify: how organizations view outsourcing; gaps and weaknesses in current practices; the extent to which opportunities have been missed on account of the absence of any policy and regulatory framework, data collection, performance monitoring and reporting; compelling reasons for entities to embrace outsourcing, including measures they need to adopt as sound business practices; whether the procurement regime, which largely responds to goods, can adequately encompass outsourcing and its governance, accountability and oversight, and if not, the features (modifications or additional requirements) that should be incorporated additionally in order to enable it to do so.

12. In terms of methodology, a mixed-method research approach was used, which consisted of:

- A desk review of legislative mandates, policies, guidelines and oversight reports related to external outsourcing to commercial service providers in United Nations system organizations as well as reports of the Secretary-General on the subject matter.

- A desk review of external-outsourcing-related documentation attained through online search from other international organizations (i.e. not JIU participating organizations), public and private sector entities, non-governmental organizations and academic institutions, to identify the following elements related to external outsourcing: policies, guidelines, definitions, objectives, principles, criteria, cost-benefit analysis procedures, performance assessment criteria, best practices and risks.

- A common corporate questionnaire (including both qualitative and quantitative questions) disseminated to all 28 JIU participating organizations covering: the conceptualization of outsourcing; legislation, policy and procedures governing outsourcing; procedures for decision-making and management of external outsourcing; type and volume of outsourcing; the evolution of outsourcing, including trends, constraints, opportunities and risks; internal capacity and coordination; and governance and oversight.

---

6 Based on data reported through the JIU web-based tracking system, as at October 2019, the 28 JIU participating organizations had, on average, accepted 69 per cent of the 12 recommendations contained in JIU/REP/2014/9. Of the recommendations that had been accepted, 87 per cent had been implemented. The Inspector did not consider it practical to revert back to the organizations on the implementation of the recommendations contained in the two earlier reports on outsourcing, given that they are decades old and organizations may not have the relevant institutional memory to report on them. The utilization of the web-based tracking system, which was not in place when these earlier outsourcing reports were issued, will allow for up-to-date tracking on the implementation of recommendations on outsourcing contained in the present review.
- Individually tailored follow-up questionnaires to responding JIU participating organizations to seek clarity on unclear responses and unanswered questions, as well as responses necessitating further details or elaboration.

- A supplementary questionnaire (including both qualitative and quantitative questions) disseminated to all 13 peacekeeping operations and 8 of 24 special political missions of the United Nations, which were identified by the United Nations as having dedicated procurement personnel. As all peacekeeping operations and special political missions are covered by the policies of the United Nations, the supplementary questionnaire sought to assess their understanding and application of the organization’s outsourcing provisions and covered the seven broad categories covered by the corporate questionnaire for participating organizations, but with a focus on the experience of outsourcing in the particular context of peacekeeping operations and special political missions.

- Follow-up interviews (based on an analysis of corporate and follow-up questionnaire responses) focused on qualitative aspects of outsourcing, held with JIU participating organizations either in-person (including through missions to headquarters and field locations) or remotely (via phone, videoconference, Skype or Zoom).

- Interviews with other international organizations, identified through both convenience sampling (based on being headquartered in the same location as JIU participating organizations) and purposive sampling (based on an initial desk review and informal scoping discussions to identify entities with well-established outsourcing procedures), to learn about good practices and lessons learned with regard to external outsourcing.

13. Twenty-five JIU participating organizations provided responses to the corporate and follow-up questionnaire, albeit with varying levels of detail. Of these, 23 organizations provided quantitative data on outsourcing (activities and corresponding volumes), with data from the United Nations covering headquarters, all offices away from headquarters (the United Nations Office at Geneva, the United Nations Office at Nairobi and the United Nations Office at Vienna), all regional commissions (the Economic Commission for Africa, the Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Asia and the Pacific and the Economic and Social Commission for Western Asia (ESCWA)), all peacekeeping operations, special political missions, tribunals and other related entities.

14. Of the 21 peacekeeping operations and special political missions, 19 responded to the supplementary questionnaire. Of these, six also provided outsourcing-related information

---

7 The United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) did not respond to the corporate questionnaire, on the basis that their outsourcing-related activities fell within the remit of the policies and procedures of the United Nations and were reported upon accordingly. On the same basis, the United Nations Office on Drugs and Crime (UNODC) did not provide any substantive answers in its response, and thus no follow-up questionnaire was sent to it. Individualized reporting on these three entities could subsequently not be conducted for the present review. The United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat) provided very limited responses to the corporate and follow-up questionnaires and no quantitative data on services outsourced or corresponding volumes.

8 FAO, the International Atomic Energy Agency (IAEA), the International Civil Aviation Organization (ICAO), the International Labour Organization (ILO), the International Maritime Organization (IMO), ITU, the United Nations, UNAIDS, UNDP, UNESCO, the United Nations Population Fund (UNFPA), UNHCR, UNICEF, the United Nations Industrial Development Organization (UNIDO), UNOPS, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the World Tourism Organization (UNWTO), the Universal Postal Union (UPU), WFP, the World Health Organization (WHO) (headquarters only), WIPO and the World Meteorological Organization (WMO).

9 Questionnaire responses were received from the following 19 peacekeeping operations and special political missions: the United Nations Mission for Justice Support in Haiti, the United Nations Mission for the Referendum in Western Sahara, the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic, the United Nations Multidimensional Integrated Stabilization Mission in Mali, the African Union-United Nations Hybrid Operation in Darfur, the United Nations...
for nine additional entities for whom they undertook procurement.\textsuperscript{10} With outsourcing volumes provided by the United Nations encompassing all peacekeeping operations and special political missions, the quantitative data on outsourcing volumes provided separately by the peacekeeping operations and special political missions are not reflected in the present review so as to avoid double counting.

15. Twenty-five JIU participating organizations responded to the review questionnaires, and headquarters personnel versed on outsourcing in 21 organizations were interviewed.\textsuperscript{11} Staff at all seven Geneva-based organizations (the International Labour Organization (ILO), the International Telecommunication Union (ITU), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the Office of the United Nations High Commissioner for Refugees (UNHCR), the World Health Organization (WHO), the World Intellectual Property Organization (WIPO) and the World Meteorological Organization (WMO)) were interviewed in person, while missions were conducted to interview staff at organizations headquartered in Copenhagen (the United Nations Office for Project Services (UNOPS)), New York (the United Nations, the United Nations Development Programme (UNDP), the United Nations Children’s Fund (UNICEF), the United Nations Population Fund (UNFPA) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)), Paris (the United Nations Educational, Scientific and Cultural Organization (UNESCO)) and Rome (the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP)). Interviews with staff from five other participating organizations (the International Civil Aviation Organization (ICAO), the International Maritime Organization (IMO), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the World Tourism Organization (UNWTO) and the Universal Postal Union (UPU)) were conducted remotely via teleconference or videoconference.

16. To better understand the specifics of outsourcing in the context of peacekeeping operations and field offices, a mission was undertaken to Lebanon to conduct interviews with staff of the United Nations Interim Force in Lebanon (UNIFIL) in Naqora and ESCWA in Beirut. Additionally, interviews were conducted remotely with staff of the Global Service Centre in Brindisi, Italy, the Regional Service Centre in Entebbe, Uganda, country offices of WFP, UNDP and UNHCR, the United Nations Resident Coordinator Office in Jordan and the UNDP Brussels Representation Office. Staff from the United Nations International

---

\textsuperscript{10} Peacekeeping operations and special political missions providing outsourcing-related information for additional entities: the United Nations Disengagement Observer Force for the Office of the Special Envoy of the Secretary-General for Syria; the United Nations Peacekeeping Force in Cyprus for the Committee on Missing Persons in Cyprus and the Office of the Special Adviser to the Secretary-General on Cyprus; UNIFIL for the Office of the United Nations Special Coordinator for Lebanon; the United Nations Support Office in Somalia for the United Nations Assistance Mission in Somalia and the Office of the Special Envoy of the Secretary-General for the Great Lakes Region; the United Nations Peacekeeping Force in Cyprus for the Committee on Missing Persons in Cyprus and the Office of the Special Adviser to the Secretary-General on Cyprus; the United Nations Office in Jordan for the United Nations Regional Centre for Preventive Diplomacy for Central Asia and the United Nations Investigative Team to Promote Accountability for Crimes Committed by Da’esh/Islamic State in Iraq and the Levant.

\textsuperscript{11} Participating organizations interviewed: FAO, ICAO, ILO, IMO, ITU, the United Nations, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNOPS, UNRWA, UN-Women, UNWTO, UPU, WFP, WHO, WIPO and WMO. Responding organizations not interviewed: IAEA, UNEP, UN-Habitat, UNIDO, the United Nations Office at Vienna and UNODC.
Computing Centre, an inter-organizational facility that provides electronic data processing services, were also interviewed.

17. In 13 other international organizations, in-person interviews were conducted with contract managers for outsourced services and procurement offices to glean best practices and lessons learned. These organizations include: the European Commission in Brussels; the European Organization for Nuclear Research, the International Committee of the Red Cross, the International Federation of Red Cross and Red Crescent Societies, the Inter-Parliamentary Union, the International Organization for Migration and the Gavi Alliance in Geneva; the Organization for Economic Cooperation and Development (OECD) in Paris; the International Fund for Agricultural Development (IFAD) in Rome; and the Inter-American Development Bank (IDB), the International Monetary Fund (IMF) and the World Bank Group in Washington D.C. In the European Commission, staff from six separate Directorates-General were interviewed, namely those for budget, international cooperation and development, informatics, European civil protection and humanitarian aid operation, human resources and security, and infrastructure and logistics.

18. In total, interviews were conducted with approximately 400 staff and officials from the aforementioned entities. The report consequently contains data gathered from these sources and through the channels indicated, allowing for relevant triangulation. All of the information and views received through questionnaire responses and interviews have been dealt with in accordance with the usual respect for confidentiality observed by JIU.

19. To facilitate the handling of the report and the implementation of its recommendations and monitoring thereof, annex XII contains a table indicating whether the report was submitted to the relevant organizations for action or for information. The table specifies whether the recommendations require action by the organizations’ governing bodies or executive heads.

D. Limitations

20. The present study has limitations that are principally related to the lack of conceptualization of outsourcing as a separate, distinct activity. The entities reviewed view outsourcing as a subset of procurement, and there has hardly been any study of how it may differ from the classic procurement of goods. While JIU provided the organizations with the Secretary-General’s definition of outsourcing as an indicative guide, it was left to each organization to make its own judgement call on what services it considered as having been outsourced and to provide such data accordingly to JIU. Additionally, the lack of specific policies and the systematic collection and reporting of data on outsourcing further limited the ability to undertake any in-depth analysis of policy elements, as had been initially envisaged.

21. The data on outsourcing, as presented by the organizations reviewed, should be viewed with the caveat that, in the absence of a common conceptualization of outsourcing, there remains the possibility that a sourcing arrangement considered as external outsourcing by one organization is not classified as such by another. Consequently, the quantitative data presented in this report may not represent a fully consistent or complete account of the volume and range of outsourcing.

22. The Inspector wishes to express his appreciation to all the officials of the United Nations system organizations and representatives of other organizations who assisted in the preparation of the report, particularly those who participated in the interviews and so willingly shared their knowledge and expertise.
II. Background of external outsourcing: definitions, mandates, policies, guidelines, reports and conceptualization

23. Except for the United Nations, no JIU participating organization, nor any of the 13 other international organizations that JIU interviewed for this review, has a governing body mandate, policy or specific report (from oversight bodies or executive heads) on external outsourcing. Most consider external outsourcing to be partially or fully embedded within their procurement and supply policy provisions and financial regulations and rules. In the present chapter, the Inspector reviews how the term is defined, the key elements of existing mandates, policies and reports on external outsourcing, and its conceptualization by the organizations.

A. Defining outsourcing

24. The Inspector found two existing definitions of outsourcing in use in United Nations system organizations and no separate definitions for external outsourcing. The first definition of outsourcing from a report of the Secretary-General of the United Nations on outsourcing practices (1999) describes it as contracting with a third party to provide non-core activities and services (including, where applicable, related goods), which activities and services have been or could be provided by United Nations staff.12

25. While the Procurement Division of the United Nations noted that the organization had shifted from the usage of the terms “core” and “non-core” to “strategic and non-strategic” and from activity management to category management as from 2019, the organization’s senior officials confirmed that the definition of outsourcing remained valid, as there was room to flexibly interpret “non-core”, and because the definition had not been superseded by any further directives from the organizational head or legislative organ. They further noted that, as every United Nations policy more than five years old was meant to be revisited in principle by the Department of Management Strategy, Policy and Compliance, improvements in policy provisions could be envisaged, without changing the policy per se.

26. The more recent definition of outsourcing is derived from the UN Procurement Practitioner’s Handbook (October 2017) and describes outsourcing as “the process of contracting out a business process, which an organization may have previously performed internally or which the organization deems necessary or important, to an independent company, supplier or contractor where the process is purchased as a service”.13 Four organizations (UNAIDS, UNICEF, UNRWA and WIPO14) utilize this definition.

27. There is considerable merit in the latter definition for two reasons. First, it better encapsulates the reality that outsourcing is the contracting out of business processes related to a function, rather than the function itself. The ultimate ownership and accountability for any function remain internally within the organization. Consequently, no function is ever fully outsourced, but rather its associated processes are, to a greater or lesser degree.

28. Second, the reference to the acquisition of business processes that are “necessary or important” to the organization provides greater flexibility and less confusion in justifying outsourcing than the usage of the term “non-core activities and services”. This is because what is a core activity for one entity of the United Nations system may be a non-core activity

12 A/53/818, para. 8. With regard to the definition, the Secretary-General goes on to state that, for the purposes of the report, non-core activities and services refer to support-type activities and services such as – but not limited to – accounting; auditing (internal); archives; book shop/gift shop; building maintenance; cleaning services; food services/catering; ground/garden maintenance; interpretation; information systems/information technology; mail/pouch; medical services; printing/publishing; recruitment; security; staff counselling/outplacement; training; translation; travel service; transportation; warehousing; and other, similar tasks.


14 WIPO also includes “international organizations” as an option through which such services can be sourced.
for another and vice versa. Additionally, as an organization’s mandate and priorities evolve, what may have been considered a non-core activity or service in the past may presently be seen as a core activity and vice versa.

29. As most (16)15 JIU participating organizations either did not have or could not provide an accepted definition for outsourcing, the Inspector is of the view that these entities should consider the existing definitions of the term in the context of how they conceive of and practise outsourcing and arrive at a common definition for organization-wide application (see recommendation 1). In its own internal desk review, JIU found various definitions and explanations of the term outsourcing from 17 external entities. These are listed in annex I and can serve as useful reference material.

B. Mandates, policies and reports in the United Nations

30. In the United Nations, the topic of outsourcing was reviewed by the Office of Internal Oversight Services (OIOS) in 1997, in four reports of the Secretary-General between 1999 and 2004, and by the Advisory Committee on Administrative and Budgetary Questions in five reports between 1999 and 2004.16 At the system-wide level, JIU issued two reports on the subject matter in 1997 and 2002. How the situation of external outsourcing had evolved over the past 15 years was unknown until the present review, due to the lack of any dedicated reports on the subject matter since 2004.

31. The topic of outsourcing was first taken up by the General Assembly in 1995 when it requested OIOS, in its resolution 50/214, “to undertake a comprehensive audit of the outsourcing practices, including, in particular, the contracting process, and to report thereon to the General Assembly”. Two complementary reports were subsequently produced by OIOS and JIU.

32. In its report on the review of outsourcing practices at the United Nations (A/51/804), OIOS reviewed the effectiveness of overall outsourcing to date, the contracting process of outsourced services and adequacy of its internal controls, the monitoring of contractors’ performance by management to ensure that service delivery complied with contract terms, and management’s process of decision-making and analytical support.

33. The objective of the JIU review entitled “The challenge of outsourcing for the United Nations system” (JIU/REP/97/5) was to “use the challenge of outsourcing to help build into United Nations system organizations continuing incentives for improved effectiveness.” In its review, JIU concluded that outsourcing had long been used throughout the United Nations system, but mostly in an ad hoc manner without the benefit of a defined policy. More intentional and planned action was needed. Whether or not specific activities or services are outsourced is less important than having agreed rules and procedures to assure consideration of external as well as in-house options.

34. The General Assembly, in its resolution 52/226 of 31 March 1998, considered the reports of JIU and OIOS and requested the Secretary-General to submit a comprehensive report on outsourcing practices.17 In his subsequent first report on outsourcing practices (A/53/818, 4 February 1999), the Secretary-General defined outsourcing and set forth the basic policy and guidelines to be followed when considering the use of outsourcing and committed the United Nations to viewing outsourcing as one of the required options, among many, that programme managers should consider in seeking to provide or upgrade the quality or cost-effectiveness of the organization’s non-core activities and services.

35. In the report, the Secretary-General outlined four basic reasons for outsourcing: (a) to acquire technical skills not readily available within the organization, including accessing

---

15 FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UN-Habitat, UNHCR, UNIDO, UNOPS, UNWTO, UPU, WFP, WHO and WMO.
17 Progress on the implementation of the seven recommendations contained in JIU/REP/97/5 was reported upon by the Secretary-General in July 2001 (A/56/135). At the time of reporting, recommendation 1 had been implemented, recommendations 2, 4, 5, 6(b) and 6(c) and 7 were under implementation, recommendation 3 could not be implemented and recommendation 6(a) was not accepted.
state-of-the-art technologies and expertise or acquiring needed flexibility to meet quickly changing circumstances; (b) to achieve cost savings; (c) to provide a source more effectively, efficiently or expeditiously; and (d) to provide an activity or service not needed on a long-term basis.

36. The Secretary-General outlined five key features of outsourcing: (a) it is limited to the provision of non-core support-type activities or services; (b) explicit criteria must be provided for determining when an activity or service should be considered for outsourcing; (c) a rigorous pre-bid process must be mandated for undertaking the necessary quantitative and qualitative analyses before making an outsourcing decision; (d) the procurement process itself must be strengthened in obtaining an outsourced activity or service; and, (e) it requires vigorous contract administration, including monitoring vendor performance and contractor evaluations.

37. The Secretary-General additionally outlined three goals (derived from JIU/REP/97/5) that must be considered for the use of outsourcing by the United Nations: (a) to respect the international character of the Organization; (b) to avoid possible negative impact on staff; and, (c) to ensure appropriate management and control over the activities or services outsourced.

38. The General Assembly, in its resolution 54/256 of 27 April 2000, endorsed the guidelines contained in the Secretary-General’s report, requested him to ensure that programme managers were guided by the basic reasons and goals for outsourcing, and further called upon him to define, in detail and with justification, criteria for decisions on which activities and services should or should not be outsourced.

39. In his second report on outsourcing practices (A/55/301, 16 August 2000), the Secretary-General established four specific criteria to be satisfied in the assessment of whether or not an activity can be fully or partially outsourced. These are: (a) cost-effectiveness and efficiency; (b) safety and security; (c) maintaining the international character of the organization; and, (d) maintaining the integrity of procurement procedures and processes.

40. The General Assembly, in its resolution 55/232 of 16 February 2001, affirmed the three goals for outsourcing (A/53/818) and requested the Secretary-General to ensure that programme managers satisfied all four criteria (outlined in A/55/301) when assessing whether or not to outsource an activity. In the resolution, the General Assembly requested the Secretary-General to report on progress achieved in the implementation of that resolution. It also requested JIU to conduct a management audit review of outsourcing in the United Nations and its funds and programmes in accordance with existing practice. The third report of the Secretary-General on outsourcing practices (A/57/185, 2 July 2002) mainly contained information on the location and type of outsourced activities and the reasons for the use of outsourcing from 1999 to 2001.

41. JIU issued a report entitled “Management audit review of outsourcing in the United Nations and United Nations funds and programmes” (JIU/REP/2002/7), prepared in response to the General Assembly’s request, in which it found that outsourcing operations remained a relatively small proportion of the organizations’ financial resources and were concentrated in specific areas such as ICT services and facilities and site management functions. Some of the key recommendations of the JIU report directed to organizations included:

   (a) Outsourcing arrangements with commercial suppliers should be based on the following distinct elements: (i) managerial processes of the service or activity concerned are owned and controlled by the contractor; (ii) associated human resources fall under the responsibility of and report to the vendor; and (iii) outsourcing is geared towards the provision of services (and linked goods) to meet the organizations’ internal needs or substantive programme requirements.

   (b) The term “outsourcing” should not be used for operational activities for development and, as regards common services, should be strictly limited to contractual relations with commercial vendors.

   (c) Legislative policy directives on outsourcing should be incorporated into procurement manuals and general conditions for contracts for services.
42. The General Assembly, in its resolution 58/277 of 3 March 2004, endorsed four of the recommendations in the report and took note of four others. In its resolution 58/276 of 3 March 2004, it requested the Secretary-General to report on activities outsourced from 2002 to 2003, including information on the location and type of outsourced activities and more detailed reasoning therefor. The fourth report of the Secretary-General on outsourcing practices (A/59/227, 11 August 2004) mainly contained information on the location and type of outsourced activities, the savings identified and the reasons therefor, from 2002 to 2003. There have been no further reports on outsourcing practices by the Secretary-General since 2004.

43. The Advisory Committee on Administrative and Budgetary Questions, in its comments on the Secretary-General’s report (A/59/652/Add.1, 28 October 2004), observed that consideration should be given to providing information through a thematic approach by locality, instead of just a list of outputs, and to including an analysis of trends, which would provide a better picture of the interests of the Organization. The last time the General Assembly adopted a resolution on outsourcing practices was in 2005, when in its resolution 59/289 it endorsed the aforementioned observation by the Advisory Committee on Administrative and Budgetary Questions and requested the Secretary-General to monitor the quality of activities outsourced.

44. On 15 June 2005, an information circular entitled “Outsourcing and impact on staff” (ST/IC/2005/30) was issued, whereby the Assistant Secretary-General for Human Resources Management reminded heads of departments and offices of the need to comply with the four basic reasons and three goals of outsourcing. In the circular, it was highlighted that the United Nations must be firmly committed to providing fair treatment on as wide a geographical basis as possible to all participants involved in its procurement activities. Where outsourcing was under consideration and would affect staff members, staff representatives needed to be informed so that they would have the opportunity to submit their views and make alternative proposals. No further directives on external outsourcing have since emanated from the United Nations.

C. Mandates, policies, guidelines and procedures in other Joint Inspection Unit participating organizations

45. In their responses to the review questionnaire, the JIU participating organizations indicated the following: nine had received a mandate from their respective legislative bodies to outsource, of whom only one required legislative authority to do so; five had a written policy on outsourcing; nine had rules or regulations related to outsourcing; two had specific provisions for outsourcing in their organization’s strategic framework; five had written guidelines, and seven had standard operating procedures related to outsourcing (see annex II).

46. However, apart from the reports and resolutions pertaining to the United Nations noted in the preceding section, substantiating documentation provided by the other JIU

---

18 There was no formal reporting on the implementation of the nine recommendations contained in JIU/REP/2002/7. However, the Secretary-General, when commenting on the report (A/58/92/Add.1), found recommendations 5, 7, 8 and 9 to be generally acceptable, questioned the relevance of recommendation 4, called for clarification on recommendation 2, and provided further perspectives on recommendations 1, 3 and 6 without explicitly accepting or rejecting the recommendations. The Advisory Committee on Administrative and Budgetary Questions also commented on the report (A/58/389) and concurred with the views of the Secretary-General. There has been no reporting on the implementation of the 1997 and 2002 JIU reports by any of the other United Nations system organizations.

19 FAO, the United Nations, UNDP, UNESCO, UNICEF, UN-Women, UPU and WMO.

20 UNEP.

21 The United Nations, UNAIDS, UNDP, UNEP and UN-Women.

22 IAEA, the United Nations, UNAIDS, UNDP, UNEP, UNFPA, UNICEF, UN-Women and WMO.

23 UNDP and UNEP.

24 UNAIDS, UNDP, UNEP, UNFPA and UN-Women.

25 The United Nations, UNAIDS, UNDP, UNEP, UNICEF, UN-Women and WMO.
participating organizations entities revealed only one instance of a dedicated policy document on outsourcing – an information technology outsourcing management policy (2012) in UNFPA. This policy emanated as a result of the UNFPA Information Technology Solutions Office envisaging opportunities to outsource its messaging and collaboration solution as well as a few other ICT services. It had also been receiving inquiries from various field offices regarding outsourcing of information technology services and had consequently developed the policy.

47. All other substantiating documents provided encompass outsourcing as a subset of: manuals, procedures, frameworks and directives on supply and procurement management; guidance notes and templates on long-term agreements; guidelines on requests for proposals and invitations to bid; standard operating procedures on formal competitive bidding procedures; contract management policies; financial rules and regulations; sourcing, market research and transactional procurement strategies; and general organizational regulations (see annex II).

48. Of these, only three documents reference outsourcing explicitly: the UNICEF Supply Manual (2017), which contains multiple references in the context of procurement risks, long-term agreement sharing, and warehouse operations, physical inventory and third party logistics outsourcing; the UNOPS Procurement Manual (rev. 6), which contains a section restricted to outsourcing to United Nations system entities only and is thus beyond the scope of the present review; and the United Nations Procurement Manual (rev. 7), which contains a solitary reference on the need to use a request for proposals for outsourcing non-core activities.

49. Participating organizations noted that, while there might not be explicit references to the term “outsourcing” in their procurement or supply policies and procedures, their position was that detailed directives and guidance contained in these documents were just as relevant and applicable to external outsourcing as they were to other procurement actions. In UNICEF, for example, where external outsourcing is viewed as a component of procurement that amounts to $3.5 billion annually and has grown exponentially in recent years, the organization already has policies, procedures, guidelines and a road map for service procurement, which is subject to the same regulations and rules as any other procurement (e.g. for goods).

50. Beyond the United Nations system organizations, instructive step-by-step guidance on undertaking outsourcing is provided in the Outsourcing Playbook26 produced by the Cabinet Office of the Government of the United Kingdom of Great Britain and Northern Ireland. This document outlines key policies for making outsourcing decisions and for contracting outside suppliers for the delivery of public services, and can serve, with relevant adaptations, as a useful referral document for United Nations system organizations in developing policies and guidelines on outsourcing.

51. When queried on the challenges faced in establishing a policy on external outsourcing, organizations noted several points, including: resistance from Member States and staff associations who may perceive it negatively as a staff reduction tool; administrative barriers whereby organizational rules and staff regulations (e.g. human resources policies) may be difficult to adapt to an outsourcing policy; and financial barriers, where budget construction and structures may not allow for externalization of services.

52. Procurement officials had mixed views on the bigger question of whether a dedicated outsourcing policy was needed in the first place. Some interviewees cautioned that an overarching policy may not be practical due to the particularities of individual outsourcing relationships. Additionally, as the benefits of outsourcing are often subject to local market conditions, a global policy that does not factor in specificities arising from local markets, customs, traditions and culture may not be effective.

53. Some procurement officials noted that a policy could introduce unnecessary straightjackets through the micromanagement of organizations by Member States. They

---

emphasized that Member States should leave it to the organizations to determine how to source the services that they need to deliver as part of their mandate, and that they should focus on quality rather than on what percentage should be delivered by organizational staff and what percentage by external entities.

54. However, procurement officials in a number of organizations welcomed a potential recommendation on developing an external outsourcing policy, noting that the absence of a formal policy could have an adverse impact on internal controls, decision-making and follow-up by management on the subject matter. Interviewees in the United Nations noted that, even though directives on outsourcing have been in place for the last two decades, contract managers for outsourced services – dispersed globally in hundreds of locations – are not always fully aware of the directives. This can result in a segmented approach and duplication of processes among different units in the acquisition process. Procurement officials in some organizations further noted that an approach to outsourcing may be more useful, as sometimes a policy that is layered with too much bureaucracy can be a deterrent rather than an enabler.

D. Conceptualizing outsourcing

55. In the absence of a formal definition of and dedicated policy on outsourcing in most JIU participating organizations and in all 13 other international organizations, questionnaire responses and interviews show that outsourcing is generally not conceived any differently from a standard service procurement action.

56. Officials in several organizations (IDB, UNHCR and UN-Women) conceive outsourcing as applicable to recurring or repetitive back-office services that are not part of the organization’s core business and can be delivered by external parties cost-effectively and at an acceptable quality, thereby liberating internal staff to perform essential functions. In UNESCO, where major budgetary cuts in recent years have resulted in reduced internal capacity and in staff becoming multifunctional, outsourcing is viewed as an additional solution for the provision of “non-core” end-to-end services. For organizations like UPU and UNWTO with only a few hundred staff, outsourcing is conceived as a means to ensure the independence of certain sensitive functions and avoid conflicts of interest (e.g. in functions related to audit and ethics) and to provide “non-core” services for which they do not have the budget to afford in-house staff.

57. While ILO conceives outsourcing as a means to further outreach and attain greater value for money, it cautioned that it does not equate it with “labour dumping”, given its mantra of equal pay for equal work and its mandate to protect labour rights and ensure that all employees are afforded the correct terms and conditions in compliance with local laws and international labour conventions.

58. UNDP and UN-Women view outsourcing within the framework of long-term agreements, which are framework agreements with a supplier for specific goods or services at prescribed prices or pricing provisions for a defined period of time, against which orders can be placed at any time with no legal obligation to order any minimum or maximum quantity.

59. UNHCR noted that ambiguities in the Secretary-General’s definition (A/53/818) allowed for two interpretations of outsourcing. The strict interpretation limits outsourcing only to those functions that must be mandatorily performed by the entity, and in relation to which it has decided to entrust the relating execution at least partially to a commercial third party. The wider interpretation (used for the present review) covers all the services that the entity may need and for which a decision has been made to buy the related service in the market rather than producing the same with its own staff.27 Similarly, FAO noted that the fact that the Secretary-General’s definition of outsourcing encompassed services that had been or

---

27 UNHCR added that, in such cases, a “buy versus produce” analysis is conducted to determine whether it is more efficient and cost-effective to buy the service required from the market or to produce it internally. Such decisions may vary from country to country and from one moment to another, depending on current market conditions and the nature and volumes of demand.
could be provided by staff left it with a very broad scope for interpretation. Consequently, for the purposes of its response to the JIU questionnaires, FAO considered outsourcing to include all services procured from commercial service providers.

60. As a best practice that should be replicated by all organizations, there is considerable merit in the approach of WIPO, which focuses on “right-sourcing”, which is analysing the service that it is expected to deliver and determining the best way to deliver it. It first determines whether a business process is core to its mandate, and if not, it assesses what the “right” source for a particular service is – be it insourcing, outsourcing or any other sourcing strategy. In making this determination, it will look at factors that include the relative costs and benefits, quality, expediency, level of expertise required, its availability in-house, flexibility, constancy or otherwise of resource needs and risk. A similar approach is utilized by UNICEF, which noted that, given that strategic procurement was embedded in its processes, for key procurement activities that met certain criteria (e.g. high value activities) it developed procurement strategies, which, among other objectives, helped determine the most appropriate procurement approach (including assessment of the need to outsource).

61. Among the 13 other international organizations, the European Organization for Nuclear Research conceptualizes outsourcing rather uniquely as “industrial services”, which cover only long-term manpower-oriented services provided onsite by external actors. Any service produced for the European Organization for Nuclear Research outside its physical premises is considered as “supply” and does not constitute outsourcing. Consequently, for a procurement activity to be classified as an “industrial service” contract (rather than a “supply” contract), it must meet the following three criteria: (a) services are mainly executed on the Organization’s site within the framework of a plurennial contract (minimum 24 months); (b) services are performed on a continuous basis with a permanent presence of the contractor’s personnel or repetitively (several times per month); and (c) the cost of the manpower represents a major part of the contract price.

62. While the intent of the present chapter was not to be prescriptive, but rather to lay out what exists in terms of formal documentation on outsourcing, the Inspector is of the view that a common definition and conceptualization of outsourcing would help organizations to better distinguish outsourcing as a business strategy that results from a conscious and deliberate exercise of choice, as opposed to the standard administrative action that is procurement. To this end, the Inspector recognizes that a definition exists in the UN Procurement Practitioner’s Handbook and proposes that deliberations be undertaken through relevant inter-agency platforms, such as the Procurement Network of the High-level Committee on Management, to arrive at a certain level of common system-wide conceptualization of outsourcing.

63. In addition, given the need to take into account the specificities of each organization based on its own realities and requirements, the following recommendation, if implemented, could lead to greater organizational effectiveness in undertaking outsourcing by furthering a common understanding on the subject matter.

**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.

64. While the Inspector has attempted in the present chapter to detail existing legislation and policy on outsourcing and the accompanying definitional and conceptual space, in the following chapter he will detail how much outsourcing is actually occurring in practice, including what is being outsourced and why, and the opportunities and challenges faced in this regard.
III. Landscape of outsourcing: services outsourced and corresponding expenditures, rationale, criteria and principles

A. Approach to categorization of outsourced services

65. In the present chapter, the Inspector will review the current landscape of external outsourcing in the United Nations system organizations from 2012 to 2018. He will cover the broad categories of services outsourced by 23 organizations, the corresponding expenditures and associated trends, both in terms of outsourcing volumes by service and outsourcing volumes by organization, the reasons for outsourcing these services, and any existing criteria and principles utilized.

66. The approach taken in the review was to let each organization determine what it considered to be an outsourced service and provide the corresponding expenditure. As guidance, JIU provided the parameters set out in the Secretary-General’s report on outsourcing and requested that such data be restricted to services and related goods sourced from commercial service providers. JIU subsequently accepted, as is, the quantitative data presented by the 23 organizations. However, as noted in the previous chapters, in the absence of a common conceptualization of outsourcing, sourcing arrangements considered as external outsourcing by one entity may not be conceived as such by another. Consequently, the data provided by the organizations may not represent a fully consistent system-wide picture of external outsourcing.

67. Total outsourcing expenditures are based on data provided by 14 organizations for all seven years requested from 2012 to 2018. They also include expenditure data from nine other organizations that provided data for some of the seven requested years. Many organizations noted that limited functionalities in older versions of their enterprise resource planning systems did not allow them to easily track such data.

68. Despite the above-mentioned limitations, given the multiple rounds of data validation and consultations undertaken with each of the 23 organizations, the findings in this section can be viewed as a representative depiction of the current state of external outsourcing in the United Nations system organizations. Where trends are compared in this chapter, the Inspector classifies any increase or decrease of over 100 per cent as significant, an increase or decrease from 30 per cent to 100 per cent as moderate, and an increase or decrease less than 30 per cent as minimal.

B. Outsourcing volumes relative to procurement and total organizational expenditure

69. According to responses to the corporate and follow-up questionnaires from 23 JIU participating organizations, the total expenditure on outsourcing amounted to $22.4 billion from 2012 to 2018 (for years with available data). Annex III provides total organizational expenditures, expenditures on outsourcing and expenditures on procurement, while annex IV details the main activities outsourced, as a proportion of total outsourcing expenditure in 21 out of the 23 organizations.  

---

28 Seven years (2012–2018) of expenditure data were provided by FAO, IAEA, ICAO, IMO, ITU, the United Nations, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UPU, WFP and WHO headquarters.

29 Six years of expenditure data were provided by UNIDO (2013–2018), UN-Women (2013–2018) and WIPO (2012–2017); five years of expenditure data were provided by UNOPS (2013–2017); four years of expenditure data were provided by UNRWA (2015–2018) and WMO (2015–2018); three years of expenditure data were provided by ILO (2016–2018) and UNICEF (2016–2018); and two years of expenditure data were provided by UNWTO (2017–2018).

30 UNIDO is not included in annex IV, as it provided outsourcing volumes for only one service – facilities management. Expenditures on specific outsourced activities by WIPO have been withheld upon that organization’s request, as it noted that such data were considered to be sensitive, commercially and otherwise.
70. Outsourcing accounts for a significant proportion of total procurement in just over half (12 out of 23) of the 23 organizations (see figure I), ranging from a fifth (UNOPS), to over a quarter (the United Nations, UNESCO, UNHCR and UNWTO), to nearly a third (IMO and ITU), to two fifths (WFP and WIPO), to nearly half (FAO and UNAIDS) to three fifths (WMO) of all procurement. Of the remaining 11 organizations, outsourcing constitutes a moderate proportion of procurement in three organizations (UNDP, UNICEF and UPU) where it ranges between 13 per cent and 16 per cent, while in seven other organizations outsourcing constitutes a minimal proportion of procurement, accounting for less than 5 per cent (IAEA, ICAO, ILO, UNFPA, UNRWA, UN-Women and WHO headquarters\(^31\)). It is similarly limited at the United Nations Industrial Development Organization (UNIDO) at under 8 per cent of procurement.

Figure I
Outsourcing as a proportion of all procurement


72. When viewing the total volume of outsourcing as a proportion of total organizational expenditure from all funding sources (see figure II), outsourcing accounts for a significant proportion of total expenditure in four organizations, ranging from over one tenth in FAO, UNOPS and WIPO to one fifth in WFP. Outsourcing constitutes a moderate proportion of total organizational expenditure in eight organizations (IMO, ITU, the United Nations, UNAIDS, UNDP, UNHCR, UNICEF and WMO), where it ranges from over 5 per cent to under 10 per cent. In four organizations (UNESCO, UNIDO, UNWTO and UPU), outsourcing as a proportion of total organizational expenditure is limited, ranging between 2 per cent and 5 per cent, while in seven organizations (IAEA, ICAO, ILO, UNFPA, UNRWA, UN-Women and WHO headquarters).\(^32\)

\(^{31}\) When the partial data for outsourcing by WHO country and regional offices and the total procurement by its regional and country offices is added to outsourcing and procurement volumes by headquarters, total outsourcing ($579.2 million) as a proportion of total procurement ($8.6 billion) from 2012 to 2018 for headquarters, regional and country offices rises to 6.75 per cent.

UN-Women and WHO headquarters), it is minimal, constituting less than 2 per cent of total organizational expenditure.


Figure II
Outsourcing as a proportion of organizational expenditure

C. Volume of outsourcing by organization

74. The 23 organizations can be divided into three groups based on total outsourcing volumes: high – six organizations with volumes over $1 billion; moderate – eight organizations with volumes between $50 million and $1 billion; and limited – nine organizations with volumes less than $50 million.

75. The six organizations with a high volume of outsourcing (see figure III) collectively spent nearly $20.9 billion on outsourced services in the years for which they provided expenditure data between 2012 and 2018, constituting 92.8 per cent of all expenditure on outsourcing. Indeed, a clear majority of all expenditure on outsourcing is accounted for by just two organizations, with WFP and the United Nations respectively accounting for 34.8 per cent and 27.6 per cent of total outsourcing volumes. However, while logistics-related outsourcing alone accounts for over three quarters of all outsourcing expenditure at WFP, the spread is much broader in the United Nations, with outsourcing in 10 different commodity groups (freight forwarding, building and construction, rental and lease, engineering, real

---

33 When partial outsourcing volumes for WHO regional and country offices (primarily in Africa) is added to outsourcing volumes by headquarters, the total volume of outsourcing as a proportion of organizational expenditure from 2012 to 2018 increases to 3 per cent.

estate, security, ICT, IT related services, travel, and management services) collectively accounting for two thirds of total outsourcing expenditure.

Figure III
Organizations with high outsourcing volumes over $1 billion (based on data available for the years between 2012 and 2018)

76. In the four other organizations which collectively account for 30.4 per cent of all outsourcing expenditure, the majority of such expenditure is accounted for by four or five service areas, as follows: UNICEF (79.9 per cent on finance and insurance; freight; logistics and warehousing; public relations and fundraising; and communications, design and printing); UNDP (71.6 per cent on civil engineering; building maintenance and repair; travel management; and conference organizing services); UNHCR (62.5 per cent on freight; ICT; safety and security; and communications and media); and FAO (62.4 per cent on engineering; financial and insurance services; construction and maintenance; farming, fishing, forestry, and wildlife contracting; and transportation, storage and mail).

77. In terms of trends, expenditure increased annually in WFP (since 2013) and UNDP (since 2014) and fluctuated year on year in the other four organizations. When comparing expenditures in the earliest year to those in the most recent year (2018), there were significant increases in FAO (257.5 per cent) and UNDP (170.9 per cent), moderate increases in UNHCR (85.5 per cent) and UNICEF (41.1 per cent), minimal increase in WFP (15.3 per cent) and a minimal decline in the United Nations (-15.5 per cent).

Figure IV
Organizations with moderate outsourcing volumes: $50 million to $1 billion (based on data available for the years between 2012 and 2018)

78. The eight organizations with moderate volumes of outsourcing 35 (see figure IV) collectively spent $1.4 billion on outsourced services, constituting 6.2 per cent of all

---

35 For WHO, the data presented reflect outsourcing only by headquarters. While partial outsourcing data were provided for some WHO regional and country offices, primarily for the Africa region, and in a few instances for the South-East Asia, Western Pacific and Eastern Mediterranean region, they could not be reflected in the present report, due to challenges posed by the lack of categorization and consolidation of the 1,349 individual activities and services for which data were provided. Collectively, the expenditure on outsourced activities and services for these regional and country offices totalled $499.7 million between 2012 and 2018. Had these totals been added to the outsourcing volumes of
expenditure on outsourcing. In five of these organizations, the majority of outsourcing expenditure is accounted for by just one service area, as follows: UNIDO (100 per cent on facilities management); UNESCO (78 per cent on consultancy); ITU (74.8 per cent on health insurance); UNAIDS (63.5 per cent on programme implementation); and WHO headquarters (57.1 per cent on facility management). In the three other organizations, two to four service areas constitute the bulk of outsourcing expenditure, as follows: WIPO (82.3 per cent on written translation and IT consultancy); UNRWA (70.3 per cent on freight and customs, ICT, and building maintenance); and UNOPS (54.4 per cent on ICT, training services, administrative and clerical services, and conference and event management).

79. In terms of trends, expenditures have increased annually in ITU (since 2013) and UNOPS (since 2014), decreased annually in UNRWA (since 2015) and fluctuated year on year in the other four organizations. When comparing expenditures in the earliest year to those in the most recent year, there was a 12-fold increase in ITU (1,220.1 per cent), a moderate increase in UNOPS (66.7 per cent) and UNESCO (64.0 per cent), a minimal increase in WIPO (28.8 per cent), WHO headquarters (16.4 per cent) and UNAIDS (13.8 per cent), and a minimal decline in UNIDO (-24.3 per cent) and UNRWA (-27.6 per cent).

Figure V
Organizations with limited outsourcing volumes: less than $50 million (based on data available for the years between 2012 and 2018)

80. The nine organizations with limited volumes of outsourcing (see figure V) collectively spent $207.2 million on outsourced services, constituting just under one hundredth (0.9 per cent) of all expenditure on outsourcing. In four of these organizations, the majority of outsourcing expenditure was accounted for by just one service area, as follows: WMO (65.7 per cent on travel); IAEA (60.7 per cent on cleaning); ICAO (56.3 per cent on language services); and UN-Women (53.9 per cent on consulting companies). In the five other organizations, two to three service areas constitute the bulk of outsourcing expenditure, as follows: UPU (89.6 per cent on software development, mailroom, and back office first level support); UNFPA (76.8 per cent on enterprise resource planning hosting and operational support, and benefits and entitlement services); IMO (74.5 per cent on printing, facilities management, and enterprise resource planning system hosting); ILO (63.6 per cent on printing, ICT and facilities); and UNWTO (51.1 per cent on security, translation and cleaning).

81. In terms of trends, since 2015, expenditures have increased annually in IAEA and WMO while declining annually in UPU. In the other six organizations, expenditures fluctuated year on year with no discernable trends. When comparing expenditures in the earliest year to those in the most recent year for which data was provided, there was an

WHO headquarters, the total volume of outsourcing would amount to $579.2 million, which would make WHO the only one of the eight organizations with moderate volumes of outsourcing to cross the half billion United States dollar mark.

36 When (partial) regional and country office outsourcing volumes for WHO are added to outsourcing volumes by headquarters, outsourcing expenditures increased over a four year period between 2012 and 2016 as follows: +14 per cent (2012–2013); +38 per cent (2013–2014); +20 per cent (2014–2015); and +8 per cent (2015–2016).
exponential increase in UN-Women (12,185.6 per cent), a significant increase in IAEA (110.4 per cent), minimal increases in UNFPA (10.4 per cent) and WMO (6.7 per cent), and a minimal decline in UPU (-2 per cent), IMO (-11.6 per cent), ICAO (-19.5 per cent) and UNWTO (-27.1 per cent).

D. Volume of outsourcing by service

82. Services outsourced by the 23 organizations can be grouped into 22 broad categories, with year-by-year expenditure detailed in annex V. This categorization, which groups together related services, was the best means of accommodating wide variances in how each organization classified and presented to JIU data on outsourced services. As the United Nations provides data for 62 distinct “commodity groups”, to allow the reader to rationally process the large volume of information provided, related services were combined. For instance, the broad category “facilities construction and maintenance” covers outsourcing under seven related commodity groups\(^7\) listed by the United Nations.

83. Related services were also combined to accommodate for organizations providing either combined or separated data for such services. For instance, while UNESCO and UNHCR provided outsourcing costs for translation and interpretation separately, a combined figure for the two services was provided by the United Nations. To accommodate for such variances, the two services are combined and reflected in the present report as “translation and interpretation”.

84. The 22 broad categories of outsourced services can be divided into three groups based on outsourcing volumes: high, which includes eight categories with volumes over $1 billion; moderate to upper moderate, which includes six categories with volumes from $300 million to $1 billion; and lower moderate to limited, which includes eight categories with volumes less than $300 million.

85. In the high-volume group (see figure VI), the eight broad categories of outsourced services collectively constitute $18.2 billion in expenditure or 80.8 per cent of overall outsourcing volumes. Of these, the category of logistics alone constituted one third (36.4 per cent) of overall outsourcing volume, totaling nearly $8.2 billion in expenditure over the seven-year period. This category includes related services such as freight forwarding, land transport, aviation operations, shipping operations, custom clearance services, warehousing services and smaller volume services such as mail and pouch. Outsourcing in this category is undertaken by 12 organizations,\(^8\) and logistics-related outsourcing expenses at WFP alone account for approximately six billion dollars or over a quarter of overall outsourcing volume.

86. Facilities’ construction and maintenance constitute 12.5 per cent of overall outsourcing volume and is the only other category to exceed $2 billion in expenditure.\(^9\) Outsourcing in this category is undertaken by 19 organizations\(^10\) and includes related services such as: commercial and infrastructure construction; maintenance, repairs and renovation of buildings; waste disposal and cleaning services; air conditioning, heating and plumbing services; handyman services; and gardening and external landscaping services.

---

\(^7\) Air conditioning, heating and plumbing; architecture, engineering and construction-related services; building and construction; building management and maintenance; cleaning and waste disposal services; industrial cleaning; and prefabricated buildings.

\(^8\) FAO, the United Nations, UNAIDS, UNDP, UNHCR, UNICEF, UNRWA, UN-Women, UNWTO, UPU, WFP and WMO.

\(^9\) For the period of 2012–2015, the United Nations did not separate construction and engineering costs. The combined volumes have been reflected under construction costs (rather than engineering costs), as a clear majority of the volume is likely to fall under the former. This can be deduced from the data for 2016 to 2018, whereby construction costs constituted 92 per cent of total construction and engineering costs.

\(^10\) FAO, IAEA, ILO, IMO, ITU, the United Nations, UNDP, UNESCO, UNHCR, UNICEF, UNIDO, UNOPS, UNRWA, UN-Women, UNWTO, WFP, WHO headquarters, WIPO and WMO.
87. The other six broad categories of outsourced services range from $1 billion to under $1.4 billion in volume and include:

- ICT-related services outsourced by 19 organizations\(^{41}\) (6.2 per cent of total volume) that include: ICT help desk; ICT maintenance; ICT equipment installation; software development; cloud computing server solutions; systems administration and security; hosting and operational support for enterprise resource planning systems

- Real estate, premises rental and lease and public utilities outsourced by three organizations\(^ {42}\) (5.7 per cent of total volume)

- Travel, food and lodging-related services, including air and rail ticket issuance and visa processing, outsourced by 12 organizations\(^ {43}\) (5.3 per cent of total volume)

- Safety and security-related services, including premises security, unarmed and armed guard services and equipment for security systems, outsourced by 18 organizations\(^ {44}\) (5.2 per cent of total volume)

- Civil, electrical and mechanical engineering-related services outsourced by three organizations\(^ {45}\) (4.9 per cent of total volume)

- Human resources, professional and administrative services, including consultancy services from individuals and companies, clerical support and casual labour, outsourced by six organizations\(^ {46}\) (4.7 per cent of total volume).

88. In terms of trends, expenditures increased annually from 2014 to 2018 in two categories – human resources, professional and administrative services, and real estate, rental, lease and utilities. Expenditures also increased from 2012 to 2016 in safety and security, while expenditures in the other five categories experienced year-on-year fluctuations. However, when comparing expenditures in the earliest (2012) to the most recent

\(^{41}\) ICAO, ILO, IMO, ITU, the United Nations, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UNOPS, UNRWA, UN-Women, UNWTO, UPU, WFP, WHO, WIPO and WMO.

\(^{42}\) FAO, the United Nations and WFP.

\(^{43}\) FAO, IAEA, ILO, ITU, the United Nations, UNDP, UNHCR, UNICEF, UNOPS, UN-Women, UNWTO and WMO.

\(^{44}\) FAO, IAEA, ILO, IMO, ITU, the United Nations, UNAIDS, UNDP, UNESCO, UNHCR, UNICEF, UNOPS, UNRWA, UNWTO, WFP, WHO, WIPO and WMO.

\(^{45}\) FAO, the United Nations and UNDP.

\(^{46}\) The United Nations, UNESCO, UNFPA, UNOPS, UN-Women and WFP.
year (2018), there was a doubling of expenditure in five of the eight categories: safety and security (147.2 per cent); travel, food and lodging (145.9 per cent); facilities construction and maintenance (134.7 per cent); engineering services (103.6 per cent); and human resources, professional and administrative services (99.5 per cent). There were also minimal increases in real estate, rental, lease and utilities (19.0 per cent), logistics (8.4 per cent) and ICT (0.8 per cent).

89. In the group of outsourced services with moderate ($300 million to $500 million) to upper-moderate ($500 million to $1 billion) volumes (see figure VII), the six broad categories of outsourced services constitute $3 billion or 13.5 per cent of all outsourcing expenditure. The highest expenditure category among these is miscellaneous services, which includes a wide array of 48 outsourced services by 13 organizations (3.9 per cent of overall volume) that are either unspecified or unrelated to the 21 other broad categories. Only a quarter of the 48 outsourced services individually exceed $10 million in expenditure over the seven-year period. Consequently, most are small volume outsourced services. In fact, the combined volume of only 3 out of the 48 services accounts for nearly half (49.4 per cent) of all expenditure within this category: maintenance and repair (the United Nations); communications, design and printing (UNICEF) and programme implementation (UNAIDS). Details on each service in this category can be found in annex VI.

Figure VII
Moderate to upper-moderate volume outsourced services: $300 million to $1 billion (based on data available for the years between 2012 and 2018)

90. The only other upper-moderate volume outsourced service category is finance, accounting and insurance, which is outsourced by seven organizations and constitutes 2.9 per cent of overall outsourcing volumes. Four other outsourced service categories with moderate volumes of expenditure include:

- Communications and public relations, including media, radio, television, telecommunications, photography, advertising, marketing and fundraising, outsourced by five organizations (2.1 per cent of overall volume)

- Management support, including business administration and management advisory services, outsourced by five organizations (1.8 per cent of overall volume)

- Education and training, including staff development, performance management, language courses, distance learning, library services, leadership pool assessment and

---

47 Where organizations provided combined figures for two or more broad categories of services that could not be separated, they are included in the miscellaneous category. These include: infrastructure and logistics (UNAIDS); infrastructure, security and licences (UNAIDS); communication and design (UNHCR); communications, design and printing (UNICEF); audit, accounting and finance (UNOPS); and business analysis, software development and quality assurance (UPU).

48 FAO, ITU, the United Nations, UNAIDS, UNFPA, UNHCR and UNICEF.

49 The United Nations, UNDP, UNHCR, UNICEF and UNOPS.

50 FAO, the United Nations, UNAIDS, UNHCR and UNOPS.
distance learning platforms, outsourced by 11 organizations (1.4 per cent of overall volume)\textsuperscript{51}

- Conference services, including event management, outsourced by five organizations (1.4 per cent of overall volume).\textsuperscript{52}

91. There are no clearly discernable trends for any of the six categories, due to year-on-year fluctuations between 2012 and 2018. However, when comparing expenditures in the earliest year (2012) with those in the most recent year (2018), there was a 16-fold increase in finance, accounting and insurance (1,649.9 per cent), a significant increase in communications and public relations (127.5 per cent), a moderate increase in education and training (44.1 per cent), a minimal increase in conference services (17.1 per cent), a minimal decline in miscellaneous services (-14.5 per cent) and a moderate decline in management support (-78.1 per cent).

Figure VIII
Lower moderate to limited volume outsourced services: below $300 million (based on data available for the years between 2012 and 2018)

92. In the grouping of lower moderate ($100 million to $300 million) to limited volume (less than $100 million) outsourced services (see figure VIII), eight broad categories of outsourced services constitute nearly $1.3 billion or 5.7 per cent of all outsourcing expenditure. These are:

- Oversight (internal and external audit, evaluation, investigations and forensic services), inspection, quality control and quality assurance services, outsourced by 11 organizations (1.3 per cent of overall volume)\textsuperscript{53}

- Translation (written) and interpretation services, outsourced by nine organizations (1.2 per cent of overall volume)\textsuperscript{54}

- Editing, publications and printing services, including layout, graphic and stamp design, fine art, proofreading and correction, reprography, distribution, printing equipment leasing, electronic publications and sale of publications, outsourced by 15 organizations (1.2 per cent of overall volume)\textsuperscript{55}

- Cafeteria and catering, outsourced by six organizations (0.9 per cent of overall volume)\textsuperscript{56}

\textsuperscript{51} FAO, ICAO, the United Nations, UNAIDS, UNDP, UNFPA, UNHCR, UNOPS, UN-Women, UPU and WIPO.

\textsuperscript{52} UNDP, UNHCR, UNOPS, UN-Women and WHO.

\textsuperscript{53} ILO, the United Nations, UNESCO, UNHCR, UNICEF, UNRWA, UN-Women, UNWTO, UPU, WFP and WIPO.

\textsuperscript{54} IAEA, ITU, the United Nations, UNDP, UNESCO, UNHCR, UN-Women, UNWTO and WIPO.

\textsuperscript{55} FAO, IAEA, ICAO, ILO, IMO, ITU, the United Nations, UNDP, UNESCO, UNHCR, UNRWA, UN-Women, UNWTO, WHO and WIPO.

\textsuperscript{56} The United Nations, UNDP, UNHCR, UNRWA, UN-Women and WIPO.
• Farming, fishing, forestry and wildlife contracting, outsourced by FAO (0.5 per cent of overall volume)

• Vehicle repair and maintenance, outsourced by five organizations (0.3 per cent of overall volume)\(^{57}\)

• Office equipment and supplies, including their rental and lease, outsourced by two organizations (0.2 per cent of overall volume)\(^{58}\)

• Legal services, outsourced by three organizations\(^{59}\) (0.1 per cent of overall volume).

93. In terms of trends, expenditure on office equipment and supplies decreased every year from 2014 to 2018, while expenditures in the other seven categories fluctuated year-on-year. However, when comparing expenditures in the earliest year with those in the most recent year using the available data, there were significant increases in farming, fishing, forestry and wildlife contracting (398 per cent) and oversight, inspections, quality control and assurance services (162.5 per cent), a moderate increase in editing, printing and publications (82.6 per cent), a minimal decline in vehicle repair and maintenance (-23.1 per cent) and a moderate decline in cafeteria and catering (-55.4 per cent), translation and interpretation (-57.2 per cent), office equipment and supplies (-75.8 per cent) and legal services (-80.3 per cent).

94. When viewed collectively across the 23 organizations, the bulk of all expenditure on outsourcing comes from between one and five service areas in all organizations apart from the United Nations. There is no single service area that appears among the top three highest-value outsourced services in a majority of the 23 organizations. Of the 22 broad service areas identified by JIU, the most commonly recurring ones are the following (number of organizations indicated in brackets): facility construction and maintenance (11); ICT (8); freight and transportation (5); human resources, professional and administrative services (4); finance, accounting and insurance (4); safety and security (3); translation and interpretation (3); and travel, food and lodging (3).

95. When comparing expenditures for the earliest year with those for the most recent year for which the 23 organizations reported data, expenditures increased in 17 of the 23 organizations and for 15 of the 22 broad service categories. An important contributing factor to this increase is the doubling or tripling of expenditure in four of the eight outsourced service categories with expenditures over $1 billion, namely: safety and security; facility construction and maintenance; travel, food and lodging; and human resources, administrative and clerical services.

96. In terms of year-on-year trends, the total volume of outsourcing across the 23 organizations experienced minimal increases from 2014 to 2015 (14.4 per cent), 2015 to 2016 (10.4 per cent) and 2016 to 2017 (16.1 per cent) and remained virtually unchanged from 2012 to 2013 (-0.4 per cent), 2013 to 2014 (-0.8 per cent) and 2017 to 2018 (-0.002 per cent).

97. The overall trend of outsourcing in the United Nations system can thus be described as one on a limited upward trajectory. Indeed, when comparing data from the 15 organizations\(^{60}\) that provided outsourcing volumes for all seven years from 2012 to 2018, overall volumes increased by 25.8 per cent from $2.7 billion in 2012 to $3.4 billion in 2018. Additionally, with the proportion of outsourcing relative to procurement ranging from 10 per cent to 60 per cent in 15 organizations, and comprising over 5 per cent of total organizational expenditure in 12 organizations, outsourcing is clearly not an insignificant practice with regard to cost in the United Nations system organizations. This raises questions as to why it has not been reported on separately in over 15 years.

\(^{57}\) The United Nations, UNDP, UNHCR, UNOPS and WFP.

\(^{58}\) The United Nations and UN-Women.

\(^{59}\) The United Nations, UNHCR and UNOPS.

\(^{60}\) FAO, IAEA, ICAO, IMO, ITU, the United Nations, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UPU, WFP, WHO and WIPO.
98. The following section will detail the rationale provided by organizations for outsourcing the services identified in the present section, including any established criteria and principles.

E. Rationale for outsourcing

99. In responses to the corporate questionnaire and during interviews, when organizations were queried on their rationale for outsourcing any particular service, they qualified their responses with the clarification that no service was ever fully outsourced, as overall accountability remained with the organization, which must monitor and ensure that the service was being delivered at the required quality levels by the outsourced service provider. Consequently, all services are partially outsourced – albeit to greater or lesser degrees. In cases where an organization may have a combination of internal staff and outsourced service providers producing a service, this is considered as partial outsourcing to a lesser degree. In cases where the service is being produced entirely by the outsourced service provider, who is supervised by and reporting to an internal staff member of the organization, this is considered as partial outsourcing to a greater degree.

100. For most outsourced services, organizations highlighted rationales and examples related to two of the four basic reasons for outsourcing contained in the 1999 report of the Secretary-General on outsourcing, namely: to acquire technical skills not readily available within the organization, including accessing state-of-the-art technologies and expertise or acquiring needed flexibility to meet quickly changing circumstances; and to provide a source more effectively, efficiently or expeditiously. Specific related rationales include:

- Meeting irregular or periodic surges in demand when it outstrips internal staff capacity to deliver in a timely manner
- Attaining external expertise for complex services not available in-house
- Attaining services that require certification or licensing not available in-house
- Meeting compliance requirements in highly regulated markets
- Acquiring personnel trained in the use of the latest technological tools, and gaining access to cutting edge technological tools that, even if developed in-house, cannot match what the private sector provides
- Attaining a service more flexibly, efficiently and promptly
- Acquiring services for which facilities or equipment are not available in-house.

101. Several organizations also highlighted rationales related to another basic reason contained in the Secretary-General’s report – to achieve cost savings. These include: attaining value for money through companies with expertise in financial markets or through volume purchases; reducing personnel costs, in the light of zero growth policies, budgetary cuts or opportunities arising from retirements, by hiring contractors who do not have to be paid benefits and entitlements; and compensating for a lack of stable internal demand, which makes in-house delivery cost-ineffective. However, most organizations acknowledged that they neither undertook a cost-benefit analysis consistently nor had an established methodology for doing so to arrive at a factual determination that cost savings would be achieved in the above-mentioned cases.

102. A few organizations also cited rationales related to the fourth basic reason contained in the Secretary-General’s report – providing an activity or service not needed on a long-term basis. This includes acquiring services that are needed only on a periodic or infrequent basis (e.g. for a few hours per day or seasonally), short-term basis or irregularly. However, several contract managers noted that insourcing was not a viable option for certain services needed only on a regular, cyclical or periodic basis, as they would be cost-prohibitive for an organization to produce by itself. For instance, UNICEF noted that the insourcing of health commodities inspection and testing services (presently outsourced) would require immense expenditure, as the entire infrastructure of laboratories would have to be set up in-house.
Thus, it was far more cost-effective to outsource it to commercial entities that already had the necessary infrastructure in place.

103. Beyond the four basic reasons, other reasons for outsourcing highlighted by organizations include:

- Attaining services that are not core to an organization’s mandate but are necessary to facilitate its presence and can be provided at a reasonable cost by a commercial service provider, allowing the organization to focus the work of staff on essential functions
- Attaining better access to and negotiating power over suppliers and networks
- Providing services in conflict areas and crisis situations where it is difficult to rapidly deploy internal staff due to security and administrative issues
- Ensuring business continuity
- Reducing, transferring or sharing risks
- Meeting political demands of Member States.

F. Criteria and principles of outsourcing

104. As for whether there are any established criteria to be satisfied to assess whether or not an activity can be fully or partially outsourced, none formally exist beyond the four established by the Secretary-General for the United Nations in 2000 (A/55/301), namely: (a) ensuring cost-effectiveness and efficiency; (b) ensuring safety and security; (c) maintaining the international character of the organization; and (d) maintaining the integrity of procurement procedures and processes. Most organizations simply follow standard procurement procedures, which include criteria for eligibility, qualification and technical and financial aspects. None of these procedures are exclusive to outsourcing per se. It was noted that the criteria used will depend upon factors such as the nature of the services, whether they are core services, the cost and the level of expertise required.

105. UNHCR noted that, in the “buy versus produce” analysis used for outsourcing, the main criterion is cost, that is, whether it is cheaper to buy the service in the market or bear the cost of producing it with staff. Another important criterion is how long the need will exist. In other words, if the need is only temporary, outsourcing may be preferable due to the higher degree of flexibility that it entails. The availability of the technical expertise required to perform the service is another pertinent criterion, as the lack of internal expertise may justify outsourcing. A final criterion is the volume of demand. If the volumes are too low, there may not be enough to justify the cost of a staff member dedicated to the service. Conversely, if the volumes are too high, it could be too cumbersome and ineffective to recruit and manage all the staff required.

106. While no principles exist specifically for outsourcing per se, the United Nations noted that it applied four basic principles of procurement when it came to outsourcing, namely: the best value for money; fairness, integrity and transparency; effective international competition; and the interest of the United Nations. Similarly, in the European Commission, three general procurement principles are strictly applied for all outsourcing activities, namely equal treatment, transparency and non-discrimination.

107. Through its own desk research, JIU found useful guiding principles related to outsourcing from the banking and securities industries. These are outlined in annex VII for the consideration of United Nations system organizations, as these principles are also applicable to them, albeit with relevant modifications.

108. As has become clear from the present chapter, for the United Nations system as a whole, both the wide variety of services outsourced and the overall volumes make it evident that outsourcing is neither an anomalous or uncommon practice, nor an insignificant one in terms of expenditure. While organizations appear to have clear rationales for outsourcing these services, more needs to be done to clearly distinguish the arrangements that constitute outsourcing, their corresponding volumes, from where they are sourced and the trends in expenditure.
109. Collecting and reporting data on outsourcing-related expenditures will, in turn, lead to a clearer depiction of the actual level of utilization of this option. To this end, the implementation of the following recommendation, in addition to enhancing the transparency of organizational outsourcing activities, is expected to aid legislative bodies, senior management and outsourcing practitioners in arriving at more informed decisions on the practicality of using outsourcing to meet the future needs of the organization in various service areas.

**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.
IV. Challenges and associated risks of outsourcing

110. In undertaking the myriad outsourcing activities detailed in the previous chapter, organizations have faced a host of challenges and associated risks in their outsourcing relationships and arrangements – some with mitigating factors and accompanying opportunities and solutions. Some challenges and risks are general, while others are specific to outsourcing in developing countries (particularly by field offices), to emergency and crisis settings and to peacekeeping operations. In the present chapter, the Inspector discusses the details of such challenges in depth, as well as any potential solutions and mitigating factors identified.

111. While some of the challenges detailed in the present chapter, particularly those dealing with poor vendor performance, inappropriate vendor conduct and practices, and outsourcing to service providers in developing countries, are fully applicable to all forms of procurement, they have been highlighted due to their immediate relevance to and impact upon outsourcing, as emphasized during interviews by both contract managers for outsourced services and procurement officials.

A. General outsourcing challenges and risks and associated mitigating factors and solutions

112. The key challenges that affect outsourcing relationships in general, irrespective of location, are largely related to: (a) national laws; (b) interests of Member States; (c) particularities of intergovernmental organizations; (d) financial rules and regulations and procurement policies; (e) specialized and customized services; (f) volumes and costs of outsourcing; (g) internal capacity, control and communication constraints; (h) physical and information security considerations; (i) poor vendor performance and inappropriate vendor conduct and practices; and (j) other factors. The present section details these challenges and risks as well as opportunities to alleviate or mitigate them. Challenges and risks outlined largely pertain to those faced by the United Nations system organizations and, in some instances, those faced by the commercial service providers.

1. National laws

113. Reduced hiring flexibility due to labour regulations. Local laws can restrict the ability of an organization to transition fully from one service provider to another. For instance, under French and Italian laws, for facilities cleaning services, if the nature of the services stipulated in a new contract is the same as the previous one, the new contractor must retain all the staff from the outgoing service provider irrespective of performance. However, ILO viewed the retention of employees from previous contractors as good practice that is undertaken voluntarily to minimize the impact on contracted personnel.

114. Requirement for compliance with multiple local legislations due to a transboundary location. Given that the physical facility of the European Organization for Nuclear Research is located in both France and Switzerland, external contractors previously had to comply with the legislations of both countries, sometimes within the same building. In 2004, a tripartite agreement between the European Organization for Nuclear Research, France and Switzerland set up a separate legal regime, whereby the Organization defines where the work will be done, while the Swiss legal regime defines the applicable working conditions for the whole campus.

115. Sanctions and embargoes that limit vendor availability. The increase in the use of instruments such as unilateral and multilateral trade sanctions and embargoes, imposed by major economic powers and organizations on countries where humanitarian organizations are required to deliver services, has made it increasingly challenging for these organizations to find a sufficient number of commercial freight forwarders to service these countries. These organizations noted that many commercial carriers with whom they had worked previously now refused to provide a quote, due to the fear of having their business processes sanctioned by a country or intergovernmental organization. Even the willingness of entities to provide...
the required documentation for the waiver of sanctions would not persuade the operators to offer quotes.

2. **Interests of Member States**

116. **Political considerations of Member States.** One international organization outside the United Nations system noted that it had to take political sensitivities into account when changing contracts for very large volumes of outsourced services, as it could only outsource to commercial services providers in its Member States and thus had to be careful to avoid being perceived as privileging one State at the expense of another through its outsourcing decisions. Another organization outside the United Nations system noted that, while it engaged considerably in public-private partnerships with governments to deliver goods and services and had identified massive potential for outsourcing the warehousing and distribution of goods to commercial service providers, there was often a lack of political willingness on the part of governments to give up control by allowing the delivery process to be outsourced.

117. **Disinterest and skepticism of Member States.** One international organization outside the United Nations system noted that, as it was a government-funded entity that was not driven by the bottom line (i.e. profit margin), there was no push to outsource. While some members of its governing body came from the private sector and had an interest in conducting business more efficiently, they did not push for outsourcing, as they wanted to avoid the complexity of dealing with external contractors and the risk of becoming dependent upon them. Additionally, it was noted that a bias likely existed in that the governing body perceived certain services as core services that thus should not be outsourced. It was opined that if the governing body could see issues from a process-based perspective rather than a core versus non-core perspective, then it would likely be more open to outsourcing.

3. **Particularities of intergovernmental organizations**

118. **Lack of understanding of the legal nature of intergovernmental organizations.** Many organizations noted that commercial service providers struggled to grasp clauses on privileges, immunities, arbitration and laws applicable to United Nations system organizations. These particularities, when inconsistent with national laws, can result in vendors refusing to accept certain terms and conditions of United Nations system organizations for the acquisition of goods and services. For instance, personal privacy rights are more limited for United Nations system staff compared with those of personnel in the private sector. Consequently, while contracts for outsourced services should include standards of conduct for outsourced personnel and clauses on the duty to cooperate in audits and investigations, such clauses may not be accepted by vendors, particularly when there are no comparable national laws in effect.

119. **National laws entering into organizational premises when organizations outsource.** While United Nations system organizations enjoy certain privileges (e.g. tax-free status), and their staff members enjoy functional immunities, these do not apply to employees of commercial service providers delivering services to these organizations. However, these employees are subject to national and local laws, which remain applicable when they deliver services within the premises of United Nations system organizations. Thus, through outsourcing, national laws can indirectly creep into United Nations premises, which many organizations cautioned can lead to unforeseen consequences.

120. **Impact of outsourcing on the serviced population and organizational mandate.** UNRWA is a major employer of Palestinian refugees, and its mandate also entails promoting the well-being of Palestinian refugees through the generation of employment opportunities. From that perspective, outsourcing may actually result in limiting employment opportunities for the refugee population and thereby undermine the Agency’s efforts in that regard. Similarly, given the mandate of ILO to promote equal pay for equal work, it has to exercise extra restraint to ensure that it is not seen as undertaking outsourcing to cut labour costs.
4. Financial rules and regulations and procurement policies

121. Cumbersome procedures and payment modalities. Several organizations acknowledged that, due to the myriad formalities they had to comply with, it was common for vendors to deem their procurement procedures as being too cumbersome and lengthy. Additionally, their general terms and conditions for procurement were not always welcome in all markets, and their payment terms were not ideal for certain markets. For instance, contract managers in the United Nations noted that some small and medium-sized companies were unable to work with them due to the delay in getting paid, given the multi-layered administrative checks that must be performed in relation to external transactions. Consequently, this results in bids only from large companies who can afford to wait to get paid. To address this challenge, both the United Nations and the European Commission proactively reach out to potential vendors to explain why their payment process takes longer owing to the need to comply with financial regulations.

122. Small thresholds for direct purchases disincentivize outsourcing. Contract managers in several organizations noted that, when thresholds for direct purchases (i.e. amounts below which they are not required to go through competitive bidding) are set too low, they can disincentivize outsourcing, due to the time and effort required to go through formal procurement processes. For instance, the thresholds for the World Bank Group and IMF are set at $50,000, which the contract managers see as an inconvenience, while the threshold in FAO is $15,000, and in WFP it is even lower at only $5,000. To address this, organizations noted the need for a better balance between oversight and the scope for action by technical offices engaged or interested in outsourcing. It was also noted that organizations lost out by not being able to purchase services directly over the Internet, which often offered the most competitive prices.

5. Specialized and customized services

123. Vendor lock-in. This is the risk of overdependence on a particular vendor and may come into play when a service is either highly specialized, such as in niche markets where there is little or no competition, or requires conformity with strict regulations or certifications, such that very few companies can provide it (e.g. helicopter services for United Nations peace operations in conflict zones). Vendor lock-in can also occur when there are no precedents or clear-cut pathways for exiting existing arrangements (e.g. cloud services for ICT). While vendor lock-in can occur when it is highly costly and time-consuming to change a service provider due to over-customization (e.g. enterprise resource planning systems), organizations noted that that should be weighed against the benefit of receiving a personalized or customized service.

124. To avert vendor lock-in due to overreliance on one vendor, organizations highlighted the need to have multiple partners across a service line through framework contracts (long-term agreements), which also allowed for building relations with vendors. As a measure that should be a standard practice for all outsourcing actions, vendor lock-in should be averted by ensuring that only the task is outsourced, while the actual knowledge of how to perform and manage the task is retained in-house. Clear controls and delineation of technical requirements become critical, along with relevant knowledge transfer from the vendor to the contractor. For example, UNICEF retains knowledge about operational interfaces for its automated warehouse solution and is actively managing the sole source supplier with a view to dispersing the system activities across more vendors.

125. It was also noted that vendor lock-in should be viewed against the consideration that vendors needed to be provided sufficient time and guidance to provide a service adequately, as they might not be sufficiently versed in the specificities of intergovernmental organizations to be able to deliver readily at required quality levels. For instance, in the case of organizations that outsource technical translations for publications with highly technical terminology that have specific meanings relevant to their work, contract managers recommended that those organizations invest in building loyal capacity outside by training external translators on the terminology that they needed and should use. As a good practice, the translation unit of UNDP requests requisitioning offices to prepare a glossary of highly technical terms to provide to the translation company prior to the initiation of translation work.
6. **Volume and costs of outsourcing**

126. **Inability to have a single supplier due to large volumes.** It may be impossible to have a sole service provider when the volume of outsourcing needed is too large. For instance, the European Organization for Nuclear Research noted that it needed cleaning services for more than 700 buildings, while no single company could service more than 30–40 buildings at a time. Consequently, multiple contracts for multiple suppliers must be issued, raising contract administration burdens.

127. **Inability to attain discounts and attract major suppliers due to small volumes.** One international organization outside the United Nations system noted that its small staff size (3,000) and limited volume of outsourcing relative to large global corporations were not enough to attract a major international supplier. Consequently, it typically attracts local suppliers who cannot provide the same high-quality services as international suppliers. Many small and medium-sized United Nations system organizations similarly noted that they were unable to avail of discounts due to their limited outsourcing volumes. To address this challenge, organizations highlighted the need to come together to jointly tender and collectively negotiate long-term agreements, thereby benefiting from a stronger negotiating position due to higher volume requirements, and in the processes attain discounts and better service conditions.

128. **Outsourcing may not lead to cost savings.** One organization outside the United Nations system noted that there was a general reluctance to outsource, given the experience of the public sector whereby often the time spent in managing and interfacing with outsourcing processes made it costlier than producing the service in-house. Additionally, private companies often charged much more per hour than the public sector, a further disincentive to use this option.

129. **High initial transition costs.** Some organizations noted that they were put off by the initial cost of switching from insourcing to outsourcing, which could be immense for some organizations. However, others noted that that cost should be viewed as a teething problem and that organizations should instead focus on deciding what to outsource and on their readiness to manage an outsourcing arrangement, as the management of third parties needed considerable improvement across the United Nations system.

7. **Internal capacity, control and communication constraints**

130. **Limited internal capacity leading to loss of control.** Several organizations acknowledged that they were under-resourced when it came to proper vendor monitoring, especially for highly specialized outsourced services. That was even more true in the field, where staff were under a lot of pressure and proper internal controls were not in place. That deficit was exacerbated by a prevalent mentality, noted by several contract managers, that the moment something was outsourced it became somebody else’s problem. Additionally, when an organization does not have sufficient internal capacity to clearly distinguish between what it must produce on its own and what it can afford to outsource, and when its contract managers for outsourced services lack the necessary skills and training to manage the outsourcing relationship, they risk losing control over the process.

131. For instance, one organization outside the United Nations system noted that nearly 60–70 per cent of the substantive work involved in the preparation of one of its flagship products was outsourced to an external consortium. The same two consortiums are the only ones bidding for the contract each time. In the future, this may result in such consortiums developing similar products on their own, as the organization risks losing its knowledge edge through outsourcing most of the preparatory work for its flagship product. To address such challenges, organizations highlighted the need to find the right balance between the parts of a service that could be outsourced and the managerial services that needed to be retained in-house with the relevant training and knowledge to adequately monitor the performance of the outsourced entity.

132. **Limited internal communication and coordination.** Interviews revealed clear deficits in internal coordination of and communication on outsourcing practices, both between procurement offices and contract managers and between technical personnel for outsourced services in different duty stations. In one organization, regarding a multimillion-
dollar service outsourced by field offices, headquarters counterparts in the immediate knowledge area were entirely uninformed of the volume and nature of the outsourcing, noting that field offices were not required to report to them on their outsourcing activities or arrangements. Similarly, UNICEF noted that, due to its decentralized nature whereby country offices could make decisions on outsourcing, the Supply Division had limited information on what was being outsourced by country offices.

8. **Physical and information security considerations**

133. **Data security.** There is potential for the privacy, security and ownership of data to be compromised through the use of outsourced cloud services, which effectively moves the storage of internal organizational data (including sensitive information) into off-site servers hosted by private companies that do not enjoy the same immunities and privileges as United Nations system entities and can be subject to intrusions by governments and their agencies. This consideration resulted in UNESCO deciding not to use cloud services except for email. However, the head of ICT in one large entity noted that, when it moved from its own internal email system to an outsourced cloud-based one, it would regularly receive notifications from the service provider of external attempts to break into the email systems and how such attempts had been thwarted by the company. When the organization used its own email system, its ICT staff could not detect and address such breaches as promptly. Detection and mitigation measures had thus improved considerably through outsourcing, as the vendor had much more advanced data protection tools than what the organization could provide.

134. **Premises access restrictions for service providers.** Commercial service providers have complained of delays and inconveniences related to the logistics of getting their personnel and materials through security screening onto organizational premises, and of restrictions related to the time of day they can perform work, with construction vendors often being required to perform work outside normal business hours and thus increasing costs.

9. **Poor vendor performance and inappropriate vendor conduct and practices**

135. **Poor performance on contracts.** Several organizations noted that the primary challenge of outsourcing was the poor performance on contracts by vendors. For instance, WFP noted that there had been cases of food acquired not being of the required quality or of food getting spoilt due to delays in delivery. The United Nations noted that, regarding outsourced aviation services, allegations had been raised about the airworthiness of aircrafts supplied by vendors.

136. **Hiding costs in bids.** Organizations highlighted the difficulty of comparing offers from different vendors when hidden costs were not clearly stated. For instance, WFP noted that, while it might implicitly have to bear the additional cost of training and supervising security guards, that cost was at times not explicitly stated in the bid by some vendors.

137. **Vendor avoidance of high-risk locations.** This challenge has been faced by UNHCR when outsourcing country project audits. While UNHCR requires that auditors visit and review all its major project locations in a particular country, its experience has been that the four global audit firms (“the Big Four”) that deliver such a service end up cherry-picking specific locations that they will visit based on security levels. For instance, in the case of audits of UNHCR projects in Afghanistan, there has been a tendency for vendors to go to Kabul (more secure) and avoid going to Jalalabad (less secure) where major UNHCR projects are in place. To mitigate this, UNHCR noted that, if vendors kept refusing to go to certain locations that required audits year after year, they could be disqualified in the future.

138. **Long-term agreement holders promoting convenience over quality or competitiveness.** Companies holding long-term agreements can seek an unfair advantage over competitors. For instance, one Danish design firm proactively contacted numerous participating organizations informing them of its long-term agreement with a United Nations system entity and advised them to piggyback on that agreement rather than tender for the service, for the purposes of time and convenience. While there are no procurement policy provisions that prohibit such proactive contacts, such a company is making its business case on the basis that it is the most convenient provider – not necessarily that it provides a better-quality service at a better price.
139. **Collusion among vendors, undersupply and kickbacks.** Organizations have noted instances of commercial service providers banding together to form de facto cartels by fixing their respective bid prices to favor a particular vendor—all quoting bid prices higher than would be the case in a genuinely competitive process. For instance, one organization, which undertakes a very high volume of logistics outsourcing through at least 5,000 transport contracts at any given time, noted that the fixing of bid prices was suspected to be a common practice among transport service providers. Such corrupt practices can limit the ability of tendering processes to culminate in the identification of the best vendors in terms of cost and quality and can be difficult to detect and even more difficult for the organizations to prove. Other instances of inappropriate practices noted by organizations, based on formal allegations received against commercial services providers, include staff receiving kickbacks from vendors and undersupply by vendors in order to make a financial gain.

10. **Other challenges and risks**

140. **Difficulty in distinguishing long-term outsourced personnel from staff.** Organizations that have outsourced certain services for many years struggle with the perceptual challenge of staff being unable to tell outsourced personnel apart. IMF has faced this challenge with its security guards and cafeteria services, where the same outsourced personnel have been servicing the organization for decades. **In this regard, as a necessary measure, to avert impartiality challenges emanating from overfamiliarity, organizations highlighted the need to have clearly distinguished lines between: staff managed by the organization and personnel managed by outsourced vendors; vendors and internal managers of outsourced services; and different categories of staff managed in a contract.**

141. **Limitations posed by organizational culture.** Two international organizations noted that, while the outsourced service provider for air travel services provided a self-booking tool that was cheaper than booking through an agent, due to an organizational culture where staff members, especially the senior ones, are “well looked after”, most preferred to book through a physical travel agent. A participating organization noted that uptake of the online booking tool was limited by the fact that most staff were poorly versed in their organizational travel policy and consequently did not feel comfortable in using the online booking tool. Ingrained habits can also be counterproductive, with one international organization noting that there was a “habit” (not obligatory) to retain staff from a previous contractor for facilities management services. While this can be a plus due to the time and cost involved in training and familiarizing new staff, it can also be a minus when the staff members retained were not adequately productive in the first instance, thereby prolonging a problem for the organization.

B. **Outsourcing to service providers in developing countries**

142. When responding to the JIU corporate questionnaire, only five organizations (FAO, UNDP, UNICEF, UNOPS and WIPO) provided disaggregated data on the total volume of outsourcing to developing countries. At all but WIPO, most outsourcing was to developing countries. At UNDP, 81 per cent of outsourcing was to developing countries,61 at UNOPS 72 per cent, at UNICEF 71 per cent and at FAO 66 per cent, while at WIPO only 4 per cent of outsourcing was to developing countries. Only four organizations (FAO, UNDP, UNICEF and WIPO) provided data on the top 10 services outsourced to developing countries, and there were no major differences of note.62 Only five organizations (FAO, UNDP, UNICEF, UNOPS and WIPO) provided data on the top 10 countries of origin of commercial service

---

61 The initial corporate questionnaire response from UNDP included data on volumes of total outsourcing and volumes of outsourcing to developing countries. While the overall outsourcing volumes were slightly revised downwards in the follow-up questionnaire response from UNDP (reflected in annex III), no updates were provided for volumes of outsourcing to developing countries. For consistency purposes, this percentage was calculated using the data contained in the earlier corporate questionnaire response.

62 Select services that appeared in the list only for developing countries include: national defence, public order, and safety and security (FAO); mass communication services (UNDP); project management services (UNOPS); and proofreading and correction (WIPO).
143. Thirteen other organizations\textsuperscript{63} indicated the main countries to whom services were outsourced. Of these, UNRWA outsourced all services (except ICT) only to developing countries, while the United Nations and UNHCR outsourced almost all services to both developed and developing countries.\textsuperscript{64} In five organizations (IAEA, ILO, ITU, UPU and WIPO), except for one,\textsuperscript{65} two\textsuperscript{66} or three\textsuperscript{67} services, the rest were outsourced to vendors in developed countries. Five organizations (ICAO, IMO, UNIDO, UNWTO and WMO\textsuperscript{68}) listed only developed countries as the destination for outsourced services, particularly the host country for the organizational headquarters. UNFPA, UN-Women and WFP\textsuperscript{69} did not provide data on source countries for outsourced services.

144. The general trend, according to interviews and data received, is that organizations with a large field presence outsource significantly to developing countries, while the largely headquarters-based ones outsource to vendors in the host country or neighbouring countries. Given that all but three (UNEP, UN-Habitat and UNRWA) of the 28 JIU participating organizations are headquartered in developed countries, outsourcing by most organizations that have a limited field presence tends to be concentrated among vendors in developed countries, due to the convenience and cost-effectiveness of sourcing locally as well as the need to comply with host regulations on employment and local codes and standards governing certain services.

145. UNDP and UN-Women noted that they saw outsourcing to vendors in developing countries as an opportunity to develop local economies, while also realizing their mandates on capacity-building and gender-responsive procurement. Similarly, ILO saw outsourcing to developing countries as an opportunity to walk the talk by ensuring that vendors delivering services to the organization respected the principles of the decent work agenda. As a best practice, the UNFPA procurement procedures explicitly state that “UNFPA shall actively work to increase its sources of supply from developing countries, and from rapidly growing emerging markets”, with the provision that “these activities shall not contravene the procurement principle of effective international competition”\textsuperscript{70}.

146. UNDP noted that, given its extensive presence in most developing countries, there were regular opportunities for local companies from developing countries to bid for its outsourced service contracts. Very often, they were more cost-effective and had better local expertise than companies from developed countries. Additionally, as many Governments of developing countries explicitly require local and regional expertise, are averse to utilizing costlier expertise from the North and prefer to replicate what has been achieved in similar

\textsuperscript{63} IAEA, ICAO, ILO, IMO, ITU, UNESCO, UNHCR, UNIDO, UNRWA, UNWTO, WMO and WIPO.

\textsuperscript{64} Over 97 per cent of the 1,349 services and activities outsourced by the regional offices of WHO were to vendors in developing countries in Africa.

\textsuperscript{65} At IAEA, translation is outsourced to China, at ILO, ICT is outsourced to India, and at WIPO, proofreading and correction is outsourced to India.

\textsuperscript{66} At ITU, reprography is outsourced to Qatar, the Republic of Korea, South Africa, Thailand and the United Arab Emirates, while translation is outsourced to China and Lebanon. At UPU, distance learning platform technical management is outsourced to Tunisia and back office first level support is outsourced to Uruguay.

\textsuperscript{67} At UNESCO, translation and security are outsourced worldwide, and graphic design is outsourced to Asia.

\textsuperscript{68} WMO commented that, while it advertised globally via the United Nations Global Marketplace, and its tenders were open to firms from all countries, “practicality suggests that it would not be economically viable for a vendor from a developing country to operate a business in Switzerland.”

\textsuperscript{69} The initial corporate questionnaire response from WFP provided data on volumes of total outsourcing and volumes of outsourcing to developing countries. However, while the overall outsourcing volumes were exponentially revised upwards in the organization’s follow-up questionnaire response (reflected in annex III), no updates were provided for volumes of outsourcing to developing countries.

\textsuperscript{70} UNFPA Procurement Policy, section 3.1 (p. 43).
countries in the South, this has allowed UNDP to work much more closely with local companies from developing countries. Procurement policies also allow for low-value procurement up to $150,000 to be restricted to local companies.

147. In addition to the opportunities, organizations and particularly their field offices highlighted that one of the main challenges in outsourcing to developing countries was underdeveloped capacity to fulfil short-term needs. For instance, the IFAD research and impact assessment division noted that, while it was more expensive to outsource data collection tasks related to impact assessments to global firms compared with local firms, in some countries it was challenging to identify and source sufficiently qualified local contractors. To address this deficit, IFAD provides two weeks of intensive training to outsourced local enumerators (data collectors) on how to conduct surveys and develop questionnaires.

148. As a good practice, where local capacity is lacking vis-à-vis the understanding and use of technological tools (e.g. tablets) and appropriate data collection methods (e.g. sampling methodology), IFAD also provides training and guidance in these realms. As a best practice that should be replicated by all organizations, to address capacity constraints, UNICEF is working to influence local markets by communicating its short and long-term needs, in order to stimulate a market dialogue to make the services and goods available. FAO noted that organizations should also factor in the cultural complexities of the markets in developing countries when seeking to influence them.

149. Another major challenge is that field offices – typically the primary sources of outsourcing to developing countries – lack personnel with technical knowledge of procurement policies and procedures and contract management skills. To address this deficit, as a best practice for replication, several organizations provide policy, advisory, oversight, technical, programme, operational, legal and capacity-building support and advice to field offices, as well as online and face-to-face training. UNHCR has a dedicated section for field procurement support, while UNDP has a dedicated unit that provides procurement certification training. UNFPA conducts spot checks of procurement actions by field offices, undertakes country-specific capacity development missions, and organizes regional procurement and capacity development workshops and webinars.

150. One entity highlighted the increasing centralization of the United Nations procurement regulatory framework as a challenge to rapid and efficient outsourcing in the field, which was exacerbated further by definitions relating to “strategic goods and services” covering many items typically procured by field offices that were now subject to central procurement. To address that challenge, the entity advocated making provisions for exceptions (that were circumscribed and associated with a robust monitoring process) for the procurement of strategic goods and services related to project implementation in post-disaster situations. The objective should be for the United Nations to have a nimble and flexible procurement regime in place.

151. Organizations noted that outsourcing to developing countries was further challenged by the fact that many potential local suppliers were not registered in the United Nations Global Marketplace, an online vendor database utilized by entities that collectively accounted for 99 per cent of total procurement expenditures by United Nations system organizations. Additionally, in countries where one of the six official United Nations languages or Portuguese was not an official language, vendors faced linguistic challenges in completing registration forms.

152. As a remedial measure to account for the fact that many potential local vendors may not be registered in the Marketplace, for local procurement equal to or above $100,000, UNFPA required in its procurement policy (section 6.2) that country offices must additionally advertise in local media or websites. When they fail to do so, they must provide formal written justification for their reasoning. To further the adequate representation of

---

71 FAO, ILO, UN, UNDP, UNESCO, UNFPA, UNHCR, UNOPS and UN-Women.
72 The United Nations Global Marketplace provides vendors with a single point of entry to the United Nations system procurement market, creates a global vendor sourcing portal for the United Nations procurement system, and consolidates agencies’ vendor rosters into one common vendor database.
developing country vendors in the United Nations Global Marketplace, the Inspector welcomes the vendor registration reform initiated by the United Nations Global Marketplace steering committee in 2013, which has resulted in a 780 per cent increase in the number of registered vendors from developing countries, from less than 19,000 prior to the reform launch to nearly 165,000 by late 2019, representing 72 per cent of all vendors in the Marketplace. In 2018, 62.4 per cent of all United Nations procurement was from vendors in developing countries and economies in transition.

153. Given that a major component of the operational activities of large and medium-sized United Nations system organizations, particularly those engaged in development and humanitarian work, occurs in field settings in developing countries, the Inspector is of the view that clear opportunities exist to further harness the option of sourcing services and related goods from vendors in developing countries and, in the process, benefit from cost-effective solutions and local expertise. Consequently, implementation of the following recommendation, which complements recommendation 10 of JIU/NOTE/2011/1, is expected to lead to the dissemination of good practices by encouraging sourcing from vendors in developing countries.

**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.

### C. Outsourcing in humanitarian emergency and crisis contexts

154. In humanitarian emergency and crisis situations requiring rapid or immediate response, most organizations with a major field presence noted that their procurement policies included provisions for fast-track procedures such as shorter lead times for tenders or upward adjustments of thresholds required for competitive bidding. For instance, following the declaration of an emergency, the threshold for direct procurement in UNHCR automatically increases from $40,000 to $100,000 for a period of six months (renewable) for all country offices affected by the emergency declaration. In UNICEF, for level 3 emergencies (the highest level of emergency), a “no regrets” policy applies, under which it is preferable for the organization to over-deploy resources than to risk a suboptimal programmatic emergency response. Despite these positive provisions, organizations regularly face some particular challenges when outsourcing in such contexts, as outlined below.

155. **Limited or no service providers.** For highly specialized services in certain humanitarian emergency settings, there may be limited or no service providers. This was noted as being particularly true in acute emergencies (e.g. the Ebola crisis in Uganda) and less so for long-standing ones (e.g. Yemen). For instance, in health emergencies, WHO struggles to find suitable vendors that can deliver trauma care in field offices. Opportunities can also arise, as was the case when WFP, in the absence of commercial airlines servicing certain routes in the Sudan, started chartering airlines and averaged 20 passengers per flight. When commercial air operators saw the route’s potential profitability, they quickly stepped in with offers to WFP to service the route.

---

73 Recommendation 10. Executive heads should pursue proactive and pragmatic policies to increase procurement from developing countries and countries with economies in transition. This should include, inter alia, a clear definition of relevant data, the introduction of selective incentives, the use of multiple languages and the sensitization of staff.

74 FAO, ILO, the United Nations, UNDP, UNEP, UNFPA, UNHCR, UNICEF, UNOPS, UN-Women, WFP and WHO.
156. **Excessive charges due to high insurance premiums.** In humanitarian emergency settings deemed as high security risks, outsourcing may not be feasible due to excessive delivery charges levied by commercial service providers, as they have to factor in high premiums charged by insurers to protect themselves against a range of security risks. In such situations, organizations like WFP with mandates to deliver services in emergency situations have elected to take upon themselves the risks associated with emergency food delivery.

157. **Elevated scrutiny for outsourced security in high-risk settings.** Due to higher security risk levels in humanitarian emergency and crisis settings, organizations need to undertake a higher level of scrutiny to ensure that contracted security personnel conform to and comply with the security protocols and standards of United Nations system organizations operating in such settings. To mitigate risks and ensure organizational impartiality and integrity, they also need to assure themselves that contracted security personnel do not have any allegiances to entities that may be deemed as controversial or hostile – a check which is rarely infallible. To mitigate this risk, one option is to outsource to private security companies based in other countries, though this will likely result in higher costs.

**D. Outsourcing by peacekeeping operations**

1. **Understanding and application of outsourcing provisions and support received**

158. As noted in the introductory chapter, the present review was proposed by a peacekeeping operation. To understand their specific concerns and challenges vis-à-vis outsourcing, a tailored questionnaire was administered, which was responded to by 19 peacekeeping operations and special political missions. The key findings with regard to the specificities of outsourcing in the context of peacekeeping operations and special political missions, challenges faced and opportunities identified are outlined below.

Table 1

<table>
<thead>
<tr>
<th>Rating of perception of the key provisions of outsourcing by procurement officials in 18 peacekeeping operations and special political missions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reasons for outsourcing</td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>Fully understand (%)</td>
</tr>
<tr>
<td>Consistently apply (%)</td>
</tr>
<tr>
<td>Key features of outsourcing</td>
</tr>
<tr>
<td>Fully understand (%)</td>
</tr>
<tr>
<td>Consistently apply (%)</td>
</tr>
<tr>
<td>Goals of outsourcing</td>
</tr>
<tr>
<td>Fully understand (%)</td>
</tr>
<tr>
<td>Consistently apply (%)</td>
</tr>
<tr>
<td>Criteria for outsourcing</td>
</tr>
<tr>
<td>Fully understand (%)</td>
</tr>
<tr>
<td>Consistently apply (%)</td>
</tr>
</tbody>
</table>

159. As can be seen from table 1, most peacekeeping operations and special political missions rated their perception of requisitioning offices as fully understanding and consistently applying the basic reasons, features, goals and criteria for outsourcing outlined by the Secretary-General (see chapter II). Despite the positive ratings, only a fifth (21 per cent) of peacekeeping operations and special political missions had ever conducted a cost-benefit analysis to arrive at an outsourcing decision, none did so consistently, and only one maintained a “lessons learned” register.
160. Notably, a quarter or more of peacekeeping operations and special political missions rated their perception of the requisitioning offices as lacking a full understanding of four key outsourcing provisions: the goal of avoiding possible negative impact on staff; the feature of limiting outsourcing to the provision of non-core support services; the feature of providing explicit criteria for determining when a service should be considered for outsourcing; and the rationale of providing a service not needed on a long-term basis. The rationale was not understood, adhered to, or considered entirely appropriate, especially within the context of limited staffing tables approved for missions and the need for services that – in some locations – required significant manpower, such as cleaning and security guard services.

161. Peacekeeping operations and special political missions also noted that the procurement policies and practices of the United Nations, which were anchored in the financial rules and regulations of the organization, could be challenging for them, in that they placed emphasis on internationally competitive processes that required that a minimum number of bidders be invited to participate. This provision does not take into account the fact that, oftentimes, competitive markets are lacking in conflict and post-conflict environments. Among provisions that factor in their operational context, peacekeeping operations and special political missions welcomed the special approval process that allowed for flexibility when a local vendor did not have three years of experience.

162. With regard to the support received, peacekeeping operations and special political missions noted that technical experts at United Nations headquarters and the Global Service Centre in Brindisi assisted them in the review of solicitation documents (e.g. statement of requirements and scope of work). They receive online and class-based training on how to draft a statement of work and on project management, procurement and contract management. They have benefited from model contracts for outsourced services developed by the Office of Legal Affairs, as well as from the review by legal professionals of all contracts prior to signature. They have also benefited from global system contracts (long-term agreements) concluded by the United Nations and from solicitations conducted on their behalf by procurement professionals at headquarters when procurement capacity was lacking in-house.

2. Challenges and risks of outsourcing specific to peacekeeping operations and special political missions

163. In their responses to the questionnaire, peacekeeping operations and special political missions highlighted a wide array of outsourcing-related challenges and risks that were particular to their operational context. These include the:

- Limited number of service providers with required capacity and capability willing to operate in mission locations
- Absence of domestic vendors that can satisfy the registration requirements of the United Nations Global Marketplace
- Fear among potential vendors of deploying resources and personnel to conflict areas
- Challenge to attract, contract and retain qualified outsourced personnel willing to stay throughout the project life
- Prohibitive costs of using international vendors
- Delays in customs clearance and additional storage costs when peacekeeping operations and special political missions are located in landlocked countries
- Host government restrictions and delays in providing import authorization, tax exemptions and contractor work visas
- Failure to receive the services on time due to volatile security situations or delayed military authorization and escort
- Hostile terrain and poor road conditions that deteriorate rapidly during the rainy season
- Inability to undertake cost-benefit analyses due to response time pressures in emergency situations
• Potential for labour disputes with locally recruited staff and contractors if there is a perception that jobs may be lost or that sufficient numbers will not be absorbed by the incoming contractor. In one peacekeeping operation, outsourcing to a foreign company led to a strike by the local community for four months against the mission, as local individual contractors feared losing their jobs.

164. In addition to the above, a number of other outsourcing-related challenges and risks were brought to the Inspector’s attention during his mission to UNIFIL and are outlined below.

165. **Ongoing security risks necessitate maintaining internal capacity.** Given the complex security environment in which peacekeeping operations operate, where the possibility of a return to conflict remains ever present, there are risks that peacekeeping operations need to absorb and capacities that they need to retain in-house due to the need to maintain readiness and military robustness. Consequently, UNIFIL has built up the necessary infrastructure in-house to manage in times of crisis critical, high-value and high-risk services such as ICT, engineering, transport, life support and vehicle maintenance. Having impartial international staff maintain sensitive services such as information and data security is also important for managing perception in sensitive locations.

166. **Remoteness of location impacts market access.** UNIFIL noted that its proximity to a major market (Beirut) placed it in a more advantageous position compared with peacekeeping operations located in more remote locations where markets for certain services were unavailable. For instance, outsourcing of well-drilling by UNIFIL culminated in the successful drilling of 18 bore holes at a cost of under $900,000. In contrast, a peacekeeping operation in Africa, due to its remote location, had to have the same task performed by a military contingent, which resulted in only two bore holes being dug in over two years, with charge-backs to the peacekeeping operation amounting to several million dollars. Given the remote location, the military contingent’s work was hindered by the non-availability of equipment and spare parts.

167. **Delays in security clearance for outsourced personnel.** Given the sensitive location where UNIFIL headquarters are located, no foreigners are allowed into the region without prior authorization, while nationals have to pass through various security checkpoints. Consequently, once a contract is awarded to an outsourced vendor, their personnel have to pass the security clearance process, which can take from 8 to 12 weeks. If they are not cleared after this period, UNIFIL has to redo the bidding process. **To mitigate this, as a useful measure that should be in place for all contracting of outsourced services in sensitive locations, UNIFIL incorporates into its contracts the requirement that vendors have to agree to the wait time needed to receive security clearance.**

3. **Opportunities for facilitating outsourcing by peacekeeping operations**

168. To facilitate their ability to undertake outsourcing, respondents and interviewees in peacekeeping operations and special political missions have called upon the relevant authorities in the United Nations to give due consideration to the following proposals: delegate increased authority to peacekeeping operations and special political missions to locally approve service contracts that they have historically outsourced; provide greater flexibility in reducing the timeline for procurement activities in crisis contexts; establish long-term contracts for recurring services; make available information on services that should be outsourced; develop and disseminate a technical framework for cost-benefit analysis and make available cost-benefit lessons from the private and public sector; update the guidelines on outsourcing practices (A/53/818); and source international companies that are able to “hit the ground running” in an emergency scenario for the first year of a mission’s life, while processes are under way internally to ensure that the basic support functions of a start-up mission are in place.

169. Additionally, to develop internal capacity to effectively undertake outsourcing, peacekeeping operations and special political missions called upon the United Nations to provide training on: writing technical specifications, statements of requirements, scopes of work, technical assessment criteria and terms of reference; contract management; payment processing; utilization of contractors; oversight of services outsourced; identifying and
assessing risks; modern methods of relationship management; conflicts of interest, ethics, and risk management; and any other relevant training necessary to ensure that the features and goals of outsourcing were well understood and consistently applied.

170. While the present chapter makes clear the myriad challenges that confront organizations when outsourcing, this sourcing option also brings clear benefits to organizations, as well as new opportunities for further efficiencies through the evolution of outsourcing arrangements. These are discussed in detail in the following chapter, as organizations must carefully consider all three elements – challenges, benefits and opportunities presented through evolution – in order to grasp the full picture of the potential and threats that this sourcing option presents.
V. Benefits of outsourcing and opportunities presented through its evolution

171. Based on their experiences in outsourcing a variety of services, as outlined in chapter III, organizations have realized a range of benefits that are largely responsive to their original rationale for outsourcing. As the needs of organizations evolve and new technologies arise to meet such needs, opportunities for more effective utilization of outsourcing have been presented, particularly in the realm of ICT. This chapter details the key benefits realized and the opportunities emanating from the evolution of outsourcing.

A. Benefits realized by outsourcing services

172. Organizations have realized a diverse array of tangible and non-tangible benefits through outsourcing, which should serve as useful contextual information for offices utilizing, or considering the utilization of, this sourcing option. While some of the benefits detailed in this chapter are fully applicable to all forms of procurement, they have been highlighted due to their immediate relevance to outsourcing, as emphasized during interviews by both contract managers for outsourced services and procurement officials.

173. Tangible benefits in terms of cost savings have been realized through means that include more favorable contractual terms and rates on services, lower contract administration burdens, volume discounts, organizational status discounts, lower personnel costs, the use of on-demand and part-time personnel, the absorption of losses by vendors, flat fees for services and the elimination of equipment acquisition and maintenance costs, while financial gains have been realized through higher returns on investments achieved by outsourcing the management of those investments. Non-tangible benefits realized include greater flexibility and speed in meeting surges in demand and changing needs of organizations, options to ensure business continuity, access to the latest financial market knowledge and technological tools and skills, and more impartial implementation of rules. These benefits are elaborated upon in further detail below.

1. Volume discounts through joint tendering

174. As a best practice, by jointly tendering for various outsourced services, organizations have benefited considerably from volume discounts. Small and medium-sized organizations, in terms of their staff and budgets, would not have been able to take advantage of volume discounts had they undertaken outsourcing on their own, as their individual needs would not be substantial enough for vendors to offer them the discounts available for larger volume acquisitions. By negotiating jointly, their collective purchasing power gives them a stronger position from which to bargain for better rates. One example is the joint tendering for utilities by FAO, IFAD and WFP through a common procurement team.

2. Discounts due to organizational classification

175. As the mandates of UNESCO and UNRWA are strongly linked to the furtherance of educational opportunities, they are classified by Microsoft as educational institutions and do not have to pay for the use of email (Outlook) or word-processing software (Office 365) and receive major discounts on other Microsoft products.

3. Lesser contract administration burden and better deals through long-term agreements

176. As a best practice, by concluding long-term agreements for a service (or related category of outsourced services) that are valid for a year or multiple years and that can be used by offices in any duty station, organizations have significantly reduced the number of contracts they need to administer, thereby reducing costs through decreased use of staff time. In the absence of a long-term agreement, each office would have had to go through a full tendering and contracting process each time the same service (or similar services) was required – including by multiple offices in different duty stations in the same
organization. For instance, UNESCO is shifting from administering 3,000 contracts a year for translation to annual long-term agreements with individual translators, utilisable on an on-call basis with no requirements to ensure a minimum amount of work for the translators.

177. Additionally, as long-term agreements concluded by one organization are usually open for use by other United Nations system organizations (an arrangement known as “piggybacking”), this further reduces administration costs at the system-wide level and allows for access to better deals. For instance, UNDP has concluded local long-term agreements for other agencies in 40 countries for outsourced travel, security and customs clearance services, among others. Given the small size of country offices, such agreements provide better rates than what they would have been able to negotiate on their own.

4. Better responsiveness to quality concerns

178. Outsourcing often allows for quality concerns to be addressed more promptly and effectively, due to suppliers’ vested interest in ensuring client satisfaction, repeat business and future contracts – considerations that do not typically apply to internal staff. For instance, one organization noted that, in the past, there was only a single in-house language teacher for a particular language, and there were repeated complaints from students regarding the quality of the teaching. However, as the individual had a permanent contract, the organization was unable to effectively deal with the quality concerns until the person retired. Presently, this organization outsources language training to a private company that has numerous teachers for any particular language among its personnel.

5. Greater capacity to respond to evolving needs

179. UNHCR noted that, given that it was constantly dealing with unpredictable environments affected by emergency situations and other challenges, outsourcing allowed for the required flexibility to meet volatility in demand by obtaining expertise that was either not available in sufficient quantity in-house or that could not be developed sufficiently quickly in-house to deliver within the required time frames of emergency settings. Similarly, the Directorate-General for International Cooperation and Development of the European Commission noted that, by concluding high-value framework contracts (long-term agreements) with a consortium of 15 to 20 service providers for outsourced services, it was able to attain immediate responses to its needs through plenty of backup options if a particular service provider was unable or unwilling to take up the task, while also fulfilling all the transparency requirements necessitated by procurement procedures.

6. Ability to incorporate incentives to improve service delivery

180. While the practice of offering financial rewards for good performance and financial penalties for underperformance is not applied in the case of in-house staff due to the need to respect harmonized conditions in the international civil service, the same constraints do not hold true when a service is outsourced. Consequently, as a good practice to incentivize consistently good performance and assess it, UNESCO includes provisions in its service-level agreements for travel, whereby, if the outsourced company achieves the maximum possible score in staff satisfaction survey results, it can keep the full transaction fee; however, if the satisfaction level is less than 80 per cent, the company has to refund part of the transaction fee to UNESCO.

7. Absorption of operating losses by vendors

181. When IMF outsources its cafeteria and catering operations, the service provider has to absorb any losses incurred while retaining any profits generated. Presently, the vendor operates at a loss for cafeteria services, while generating a profit for catering services. For health insurance claims management outsourced by ITU, the organization pays a fixed premium every year to the vendor. If the amount paid out in claims is above the amount received as the premium, the vendor has to absorb the losses but can adjust the premium for the following year. If the amount paid out in claims is below the premium, the vendor retains the profit.
8. **Better returns on investment**

182. The joint outsourcing of the after-service health insurance investment portal by UNCDF, UNDP, UNFPA, UNICEF and UN-Women was undertaken to benefit from economies of scale and from professional expertise in asset management that those organizations did not have in-house. The investment provides 15 per cent returns compared with less than 1 per cent in the past when the investment was managed in-house.

9. **More favourable contractual terms through external expertise**

183. Several organizations benefit from utilizing external experts with better market knowledge and reach to contract for outsourced services. For instance, in outsourcing medical insurance, IDB contracted the consultancy services of a company experienced in health care to draft the contract, as a result of which it received a more favourable discounted rate. Similarly, UNICEF contracts insurance services through a broker (rather than directly) to avail of the best rates for each individual insurance product, and to benefit from renegotiated rates on an ongoing contract.

10. **More impartial implementation of rules and stronger controls**

184. When ITU outsourced health insurance administration, the vendor applied the rules correctly and strictly. This initially resulted in conflicts with some staff, as in the past there had been an in-house administrator for health insurance who had been interpreting the provisions too liberally and often incorrectly in favour of staff. As a compromise, ITU revised some health insurance provisions to assuage staff concerns.

11. **Access to special government negotiated rates**

185. General service agreement rates – special prices negotiated by the Government of the United States of America with private companies – are extendable to intergovernmental organizations in the country. UNDP and the World Bank presently utilize these rates for services such as telecommunications and border control scanners. As a good practice, UNDP also includes a provision in its bidding documents stating that, if a vendor offers a certain price to a government agency in the United States or a United Nations system entity, then they need to offer the same price to UNDP so that there is no differential pricing.

12. **Flat fees for services irrespective of usage**

186. In ESCWA, hardware or software support for ICT services is outsourced to a private company that provides an on-site help desk that is staffed full-time by three agents who receive and handle such tasks. The company receives a flat fee of $69,000 per year, and the amount remains unchanged irrespective of the number of service requests.

13. **Access to the latest technological tools and skills**

187. Outsourcing, particularly in the realm of ICT services, allows organizations to access the most up-to-date technology available in the market. Most United Nations system organizations have a very limited number of staff dedicated to the development of ICT tools when compared with companies in the private sector whose core business is to sell ICT services. While such companies have an incentive to continuously invest in research, innovation and staff skill development in order for their personnel and services to remain relevant and competitive on the market, the same incentives do not hold true for ICT departments in United Nations system entities, which have limited training budgets and typically invest in technological upgrades only when there are explicit directives from organizational leadership or governing bodies to do so.

188. Consequently, ICT personnel in United Nations system entities may lag behind their private sector counterparts with regard to the acquisition of the most up-to-date knowledge and skills in their field. Indeed, one organization noted that the incentive for ICT outsourcing arose precisely because it was becoming harder and harder to keep its staff trained in relevant ICT skills. Additionally, ICT tools acquired through outsourcing are less likely to become static over time compared with tools developed internally. For instance, the WIPO human
resources department is presently trialling software that uses artificial intelligence to screen candidate applications. While it found the cost of developing the software in-house to be the same, it chose to outsource, as the company providing the software would have to regularly upgrade it to keep pace with changes in the market.

14. Elimination of equipment acquisition and maintenance costs

189. As a good practice, organizations have benefited from outsourcing services that are either not required on a regular basis (e.g. asphalting in UNIFIL) or are not utilized at sufficiently high volumes that would justify the high costs of the acquisition and maintenance of physical equipment (e.g. printing at WFP). Even for services that are used regularly, high maintenance costs can make outsourcing an attractive option (e.g. laboratory services outsourced by FAO). For instance, ESCWA has moved from buying to leasing photocopiers, which works out to be a feasible option when the alternative of ownership costs that include purchase, replacement due to a limited lifespan, maintenance, spare parts and toners are factored in. The move is also in line with the United Nations policy to reduce the footprint of physical inventory and further sustainable environmental practices.

15. Lowering personnel costs and reducing exposure

190. Several organizations noted that outsourcing had resulted in considerable savings in personnel costs, as outsourced personnel did not have to be paid the entitlements and benefits (medical insurance, leave, education grants, pensions, etc.) that were due to United Nations system staff. For instance, for outsourced travel management services, organizations have to pay only commission to the travel agent. Additionally, outsourcing provides the option of accessing labour on-demand, thereby reducing the need to have full-time staff for services that do not demand full-time support. Peacekeeping operations that have been subject to budgetary cuts in recent years noted that outsourcing helped to limit their exposure in the event of downsizing or mission closure, as they only had to provide 30 days’ notice to the service provider to terminate services.

16. Ensuring business continuity

191. Organizations that utilize a hybrid outsourcing arrangement (work performed by both in-house staff and outsourced personnel) noted that they benefited from having the option of the vendor providing immediate temporary backup support to ensure business continuity. This is particularly vital in small organizations, where there may only be one staff member dedicated to a function. For instance, as ICT services in the Inter-Parliamentary Union are run internally by one staff member, an IT professional was contracted through a company to provide backup support if the person fell sick or went on holiday. With respect to organizations that largely outsource a service (that is, the work is primarily done by outsourced personnel but supervised by in-house staff), it becomes the responsibility of the vendor to ensure that it has sufficient backup capacity to cover illnesses or absences of personnel assigned to the organization.

17. More time for in-house staff to focus on the strategic needs of the organization

192. Respondents in most organizations noted that one of the key benefits realized from outsourcing was that, by utilizing this option to have non-core services delivered by external vendors, in-house staff had more time to focus on the strategic needs of their business unit. For instance, human resources management offices noted that, by utilizing external personnel or software to undertake candidate screening, human resources staff had more time to focus on more strategic issues such as staff development and learning needs.

193. The aforementioned tangible and non-tangible benefits that organizations have realized through outsourcing make a useful case for the utilization of this sourcing option. As technologies evolve and new opportunities for outsourcing emerge, further efficiencies in the way organizations conduct their business can potentially be realized. The following section details the evolution of outsourcing arrangements, benefits that have been realized through innovations in technology, and measures that need to be taken to capitalize on outsourcing opportunities in the future.
B. Evolution of outsourcing arrangements

194. Since the publication of the last report of the Secretary-General on outsourcing in 2004, the type of services outsourced has not changed considerably in most organizations, with a few exceptions. Services previously outsourced that are now produced in-house or through hybrid arrangements include impact assessments in IFAD, where, due to high costs, inception, design, analysis and drafting are now insourced.

195. Services previously performed entirely or largely in-house that are presently delivered through hybrid or largely outsourced arrangements include: facilities maintenance by UNESCO (and OECD) for cost efficiency purposes; enterprise resource planning system development, support, maintenance and hosting by IMO due to a lack of in-house specialized skills; health insurance claims administration by ITU due to high costs, privacy concerns and lack of in-house capacity; ombudsman services by UPU to ensure the neutrality, independence and confidentiality of the function; information security risk assessment and monitoring by WIPO to attain non-stop services and meet increased needs; and enhancement of security services by ILO, WIPO and ITU (including armed security, security screening, biometric smart card systems and bespoke crisis management plans) to address heightened needs for vigilance.

196. Beyond individual services, broader shifts in outsourcing arrangements highlighted by organizations include: more joint tendering and greater usage and sharing of long-term agreements for outsourced services by organizations to benefit from volume discounts and attain stronger negotiating positions; the United Nations shifting from staff augmentation (that is, the organization’s staff task and supervise individuals provided by a contracted company) to managed services (that is, the organization tasks and receives output from a contracted company, not individuals) to avert legal claims regarding staff contracts from outsourced personnel; UNDP switching from using country-specific commercial service providers to regional or global service providers to reduce contract management burdens and costs; UNICEF expanding outsourcing from administrative and operational services (e.g. cleaning) to more strategic services (e.g. cash transfers to beneficiaries); and WHO expanding the outsourcing of non-core services to attain lower cost services due to cuts in the common services budget.

C. Evolution in information and communications technology-related outsourcing

197. The most rapid evolution in outsourcing has been in the realm of ICT services, with nearly every outsourced contract today having some ICT aspects. Contract managers noted that ICT services could be categorized broadly into three main groups in relation to how easy they were to outsource. The easiest are standardized services (that is, not customized) and include servers, Internet connectivity, networking facilities and maintenance and infrastructure-related software. In the middle range are productivity tools (e.g. word-processing applications, spreadsheets and email), which are supplied by only a few major players in the market and are also fairly simple to outsource, as organizations do not create productivity tools on their own. The most complex is the outsourcing of business applications (e.g. enterprise resource planning systems), as they are highly dependent on the operations, policies and business models of an organization. In such cases, organizations look for a standard off-the-shelf product, license it and then customize it, either in-house or through an outsourced arrangement.

———

75 Other examples of shifts from insourcing to outsourcing include: catering, ICT helpdesk and travel management by OECD due to demand and technical needs outstripping supply; printing services by FAO, UPU and WFP due to staff cuts (FAO) and lack of in-house quality printers (UPU); translation by WIPO following the adoption of a new language policy in 2011 that necessitated equal treatment for all six official United Nations languages vis-à-vis meetings documentation; heating, ventilation and air conditioning maintenance by WIPO due to increased workload resulting from an increase in the number of buildings; graphic design in UNAIDS due to the seasonal needs and decreasing trends in demand; and gardening services by ILO to eliminate the need to maintain physical equipment in-house.
198. As good practices in undertaking ICT outsourcing or considering the use of this option, organizations highlighted the need to: assess long-term needs and identify key ICT-related competencies that must be retained internally (e.g. quality assurance and overarching architecture) and those that are less vital (e.g. computer repair and technical coding); develop procedures and guidelines for undertaking ICT outsourcing, including the conduct of cost-benefit analysis; ensure that, for all outsourced ICT services, sufficient knowledge on the specificities of the service exists in-house to effectively manage the relationship with the vendor; and identify vendors that have a proven track record on staying up to date on the latest developments in the industry and utilizing the latest technologies and tools for the benefit of their clients.

199. Organizations have also called for the need to: ensure that vendors contracted are willing to transfer knowledge to in-house staff to further capacity development; outsource ICT elements for which risks and threats are constantly evolving that vendors are better equipped to address than internal staff (e.g. cybersecurity); outsource cloud-based services to vendors that have physical servers in countries where data protections laws explicitly prohibit access and intrusion by national Governments or any other entities; and cut costs by eliminating the use of intermediary vendors in developed countries (e.g. large well-known companies that subcontract actual work to ICT companies in developing countries) by identifying and establishing contacts with vendors in developing countries, explaining to them the tendering procedures, and encouraging them to register in the United Nations Global Marketplace and bid for tenders when they are issued. In this context, some useful recommendations can be found in an OIOS audit of ICT services provided by United Nations agencies to the erstwhile Department of Field Support.76

200. The United Nations noted that it was presently looking into three elements of ICT outsourcing. The first is to fully outsource ICT infrastructure (network, desktop, storage and conference management). The second is to request proposals for 700–800 applications for development-related jobs. This would result in a shift to service framework agreements with a select number of vendors that any agency could use. The third element is to shift from data centres to cloud services and reduce the footprint of the former by 75 per cent.

201. Most contract managers were of the view that ICT outsourcing was broadly advantageous to the organizations when both costs and benefits were factored in. For instance, UN-Women noted that outsourcing ICT services to a private company in India had led to both cost savings (e.g. a software developer receives $100 in New York and $22 in Mumbai) and more time for in-house ICT staff to focus on business analysis and vendor management. While acknowledging that a certain amount was lost in inefficiencies that were hard to quantify (e.g. the time zone difference results in interaction time being limited to only two to three hours in the morning in New York, and functional specifications related to design could be hard to convey virtually), the overall math still worked out in favour of outsourcing.

202. As a good approach to ICT outsourcing, UNDP applies industry best practices outlined in ISO 9000 (quality management), ISO 27001 (cybersecurity) and ISO 20000 (services delivery). These allow for having in place a methodology and four-step framework for making decisions on whether to outsource. The framework encompasses: (a) quantitative and qualitative market vendor analysis; (b) the impact of doing the work in-house (versus going external) and the corresponding alignment with the UNDP strategic plan; (c) risks and opportunities; and (d) vigorous contract administration.

203. Another good practice to ensure a centralized overview of an organization’s outsourced ICT needs comes from UNAIDS, where all procurement-related terms of reference include a standard box querying whether the request has an ICT component. If ticked yes, the request will have to go through the UNAIDS ICT office for clearance on the specifications of the ICT component. Such streamlining has greatly reduced the

---

76 Audit of information and communications technology services provided by United Nations agencies to the erstwhile Department of Field Support, OIOS Internal Audit Division, Report 2019/036, 22 May 2019.
prevalence of an “applications graveyard”, whereby non-compatible applications were procured by different offices due to a failure to confer with the ICT office.

204. Another good practice for replication comes from the European Commission, which encourages vendors to evolve and automate their ICT helpdesk services by incorporating erosion factors into contracts. For instance, a tender may state that a vendor will receive 5 per cent less per ticket in the second year, 10 per cent less in the third year, and so on. Measurable high-level parameters in the contract include stipulating that automation should be used to resolve an increasing percentage of tickets over time (e.g. 10 per cent in the first year and 20 per cent in the second year). This makes it clear to the vendor that it needs to build in automation to meet client needs.

D. Benefits realized through technological innovations in other outsourced service areas

205. ICT evolutions have also led to process innovations in other outsourced service areas, as detailed below.

1. Conference servicing – interpretation and captioning

206. Organizations noted that the introduction of new communications technologies had enabled real-time connectivity, which meant that on-site co-location was no longer necessary to deliver some services such as interpretation and captioning, which could now be delivered remotely.

2. Finance and accounts payable

207. The International Committee of the Red Cross noted that, in the 1990s, all invoices related to accounts payable would be shipped to a third party for processing. Presently, invoices can be scanned internally and conveyed to a network of contractors who can readily perform a certain component of a process and revert with the results; full outsourcing of the entire process is not necessary. UNHCR is considering using robots to scan invoices that are then conveyed online, with checks being carried out to ensure that the supplier is not part of any United Nations sanctions list. Today, various online services are connected to internal processes of the International Committee of the Red Cross that utilize ICT – representing a shift away from monolithic end-to-end outsourcing.

3. Graphic design

208. As a good practice for outsourcing in innovative and rapidly evolving areas such as graphic design, UNESCO recommends that organizations should have at least one very creative person in-house. This also helps to identify and bring in external talent and assess the quality of what is available externally.

4. Procurement

209. ILO has shifted from paper-based tenders to an electronic tendering system, the development of which was outsourced to a public sector company that could design a tool that was more suited for a public institution like ILO. The cost of development ($50,000) and maintenance ($10,000) was significantly cheaper than the cost of enterprise resource planning tools, and the software has been reviewed and welcomed by the organization’s oversight office.

5. Translation

210. Outsourced translation services have evolved considerably with the emergence of new technologies and artificial intelligence that are expected to reduce the dependence on human translators. For instance, UNESCO is using a neural machine translation software called eLUNa through a service-level agreement with agencies in New York and Vienna. The software works in the same way as the human brain and uses artificial intelligence to translate. WIPO is also developing a translation software in-house utilizing artificial
intelligence that is targeted to better translate technical language related to patents and treaties. Through advances in communications technology, ITU noted that most of its outsourced translation work was now undertaken remotely, which saved time and costs by eliminating the need for travel. ITU also hopes to have its website translated into all six official languages through machine translation, as it has over 60,000 active web pages. It is in talks with a company that is offering to provide machine translation for over 100 languages.

6. Travel management

211. Many organizations that outsource travel management benefit from access to an online self-booking tool for air travel. This tool reduces (but does not eliminate) dependencies on human intervention, leading to considerably lower costs per booking than using a physical travel agent. It also allows for easier collection of travel data, which, in turn, gives the organization a better bargaining position for travel fares with commonly used airlines. The travel agent negotiates better rates on behalf of the organization. However, such tools are presently limited to simple round-trip travel, as it is not possible for self-booking tools to accurately configure and code complicated travel policy provisions for complex multi-leg journeys.

212. Organizations noted that a simplified policy would allow for all travel to be booked through the self-booking tool and would greatly reduce the transaction cost per ticket. It is recalled in this context that the JIU review entitled “Review of air travel policies in the United Nations system: achieving efficiency gains and cost savings and enhancing harmonization” (JIU/REP/2017/3) assesses in depth ways and means through which air travel policies can be simplified and cost savings achieved.

E. Opportunities for future outsourcing

213. As the above-mentioned cases clearly illustrate, evolution in technology has led to clear improvements in business processes for outsourced services. With regard to future plans vis-à-vis outsourcing, eight organizations identified services that they considered to be candidates for potential future outsourcing. These are outlined along with their rationale and associated risks in annex VIII. As a best practice to incentivize evolution, the Global Fund informs vendors that it will secure certain volumes from them and that, in return, it wants the vendors to use part of the funds to invest in innovation. With regard to expected future trends in outsourced services, organizations noted that volumes of ICT-related outsourcing would continue to grow with advances in artificial intelligence and cloud-based services. Conversely, it was expected that volumes for outsourced mail and print services would further diminish, due to technological advances and growing conscientiousness of the negative environmental impacts of physical printing.

214. To better consider outsourcing as an option, the Inspector recalls that contract managers, procurement personnel and senior officials made the following suggestions during the review: explore the potential of “disruptive outsourcing”; that is, how to incorporate artificial intelligence to improve; integrate the principles of outsourcing into policies, guidelines and budgetary mechanisms; establish criteria for outsourcing and develop a streamlined methodology for making outsourcing decisions that are consistent system-wide; further the mutual recognition of outsourcing-related procedures among United Nations system organizations; and further joint tendering and the sharing and usage of long-term agreements among organizations.

215. Contract managers, procurement personnel and senior officials have also called for the need to: develop means to attain an independent business case for outsourcing from a business owner, or from a non-business owner who knows the business as well as the owner; develop concrete strategies outlining the benefits and costs of the various available options in line with the work plans of the respective business owners; clarify the scope and deliverables for activities to be outsourced; factor outsourcing into organizational change management processes; change staff regulatory frameworks to become more delivery oriented by catering for the acquisition of new skills and providing lifelong learning
opportunities; and improve consideration of the role of automation, the “gig economy”, the future of work and the private sector in work.

216. To facilitate the work of organizations in undertaking outsourcing, the following two chapters will explore how procedures pertaining to decision-making on external outsourcing and its management can be improved.
VI. Improving decision-making on outsourcing: analysis of costs, benefits and risks

217. While the preceding chapters outlined the services that are currently being outsourced by the United Nations system organizations, the benefits derived, challenges faced and the opportunities created, the present chapter will assess how decision-making on outsourcing can be improved through the conduct of cost-benefit analyses and risk assessments.

218. While the participating organizations do not distinguish outsourcing from standard procurement phases, in its desk review JIU found the following six phases of outsourcing identified by Deloitte\(^77\) as largely complementary to the procurement phases utilized by United Nations system organizations: (a) assess: definition of objectives and assessment of capacity; (b) prepare: service-level definition; (c) evaluate: response evaluation and supplier selection; (d) commit: contract development and finalization; (e) transition and transformation: new service implementation; and (f) optimize: on-going supplier and vendor management. The issues assessed in the present chapter and the next are largely congruent with the elements contained in these steps.

A. Cost-benefit analysis

Figure IX

Procedures for outsourcing

219. One of the most basic elements of choosing a sourcing option is to undertake an initial analysis of all direct and indirect costs and benefits – both tangible and intangible – associated with each sourcing option to determine the one that is the most beneficial for the organization. Figure IX shows how many organizations have various key outsourcing-related measures in place, as indicated in the responses to the JIU questionnaire. While 17 organizations said that they had undertaken a cost-benefit analysis to determine whether or not to engage in external

outsourcing to commercial service providers, only 8 conducted such an analysis on a consistent and regular basis. Only five organizations said that they had an established methodology in place to undertake a cost-benefit analysis and utilized it on a consistent and regular basis (see annex IX for entities).

220. However, there is no common template used across the board for the conduct of a cost-benefit analysis, and such an analysis, when conducted, does not differ for outsourced services compared to other procurement activities in most entities. An exception and a good practice come from WIPO, which distinguishes cost-benefit analyses for standard procurement activities from those for outsourcing. The former involves a comparison of the actual costs between different providers or methods for provision of the service, and the latter, as a preliminary step, the weighing of additional factors to determine whether to insource or outsource. These factors include, inter alia, the costs of maintaining or overseeing quality, responsiveness to fluctuating resource needs, the total cost of ownership, and access to innovative technology. Only once there is a preliminary view to outsource the service is the more standard procurement analysis carried out.\(^78\)

221. Another good practice comes from UPU, which conducts an analysis of the following five elements when undertaking a cost-benefit analysis: (a) in-house capacity; (b) costs; (c) demand for the activity; (d) whether the activity is core or non-core; and (e) the expected benefits from outsourcing.\(^79\) Another useful practice comes from UNOPS, which conducts a cost-benefit analysis as part of the preparation of a business case. This is systematically done for all long-term agreements and includes the following elements: description of the goods or services required; the type of long-term agreement and geographical coverage; past spend data in the category and planned spend; the expected duration of the agreement; the price adjustment method, if any; the expected benefits and risks of the agreement; the results of market research (number of potential vendors, location, etc.); the procurement strategy (solicitation method or type of competition); the procurement process timelines; sustainable procurement considerations; and the allocated internal staff for the procurement process and for contract management. The UNDP guidance note on setting up long-term agreements outlines five key factors for consideration: market and demand analysis, emergency preparedness, resources and expertise available and similar agreements.

222. Organizations and peacekeeping operations identified the following illustrative examples of a cost-benefit analysis conducted to arrive at a sourcing decision:\(^80\)

- IMF. All eight regional security advisor positions went from being outsourced to being insourced through four-year contracts. A full cost-benefit analysis found that,

---

\(^{78}\) Most organizations noted that the aim of a standard procurement analysis was to identify the “best value for money” offer, which UNICEF described as the optimum combination of factors such as appropriate quality, life-cycle costs and other parameters like social, environmental or other strategic objectives that meet end user needs. It cautioned that “best value for money” did not necessarily mean the lowest initial price option, but rather the best return on investment, taking into consideration the assessment criteria in the specified solicitation documents.

\(^{79}\) UPU further noted that, if a project or programme manager saw an issue that might necessitate outsourcing, he or she could convey the concern and needs to the head of his or her Directorate. If it is within the realm of the Directorate’s competence, the head of the Directorate can authorize the conduct of a cost-benefit analysis. Once conducted, the findings are presented to the Director-General, who may then refer the matter to the governing body (Council) if: (a) there is a higher-level set of rules under the purview of the Council that requires changes; or (b) if an abolition or creation of a post is involved. Otherwise, the Director-General can take the decision on his or her own to outsource and initiate the tendering process.

\(^{80}\) Other highlighted instances of conduct of a cost-benefit analysis, without any elaboration of findings or outcomes, include the analysis of outsourcing versus in-house provision of: office laptops (UNICEF); bus transport (UNRWA) and travel management (UN-Women); enterprise resource planning system hosting (IMO), rations and fuel delivery (United Nations peacekeeping operations) and packing services (UNICEF). In the above-mentioned cases, the finding was that outsourcing was cheaper. When UNWTO conducted a cost-benefit analysis regarding database administration, the finding was that insourcing was cheaper, while outsourcing provided better expertise and business continuity options. When UPU conducted a cost-benefit analysis regarding mailroom services, the finding was that costs were the same.
while expenditure would remain the same, there were many intangible benefits of insourcing, including: (a) access to a better pool of quality candidates attracted by the prestige of having an IMF contract; (b) more motivated personnel who would have access to training and other job benefits; (c) access to a United Nations laissez-passer to facilitate travel; and (d) opportunities for career progression.

**ILO.** Management of health insurance was retained in-house following a cost-benefit analysis, which found that savings from outsourcing were cost-neutral and that insourcing was preferable.

**ITU.** A cost-benefit analysis of sourcing options for security enhancements found that it would cost the organization 2.2 million Swiss francs to provide such enhancements in-house, 5 million Swiss francs if the entire security service was internally outsourced to the United Nations Office at Geneva (which does not accommodate hybrid security arrangements), and 1 million Swiss francs if the service was outsourced to a private company. ITU decided on a hybrid approach of in-house staff and a private company, allowing it to reduce its internal workforce by 50 per cent. ITU also outsourced medical insurance management based on an assessment of financial impact, risk and liabilities and following consultations with its governing body, retirees’ association and staff council.

**IMO.** Facilities management was outsourced based on a comparison of: the costs of in-house provision, which include annual staff costs (salaries and benefits, employer’s share, cost of annual and sick leave replacements, recruitment and separation entitlements and training costs), equipment (purchase or annual depreciation) and consumables, maintenance costs and insurance; and the costs of outsourcing, which include fixed prices for services, the estimated annual cost of consumables and equipment rental, the estimated cost of out-of-scope services and contract management costs.

**United Nations headquarters.** Electrical services went from being outsourced to insourced based on a cost-benefit analysis that found the in-house labour cost to be lower than that for unionized external electricians. A cost-benefit analysis of outsourced medical insurance claims management found there to be no significant advantage of insourcing, so it was decided to continue outsourcing the service.

**UNESCO.** A cost-benefit analysis of potentially outsourcing enterprise resource planning services to the United Nations International Computing Centre found that costs would be higher, due to the Centre needing to comply with the norms and standards of the International Standards Organization. The decision was therefore made to not outsource.

**United Nations Peacekeeping Force in Cyprus.** Based on the findings of a cost-benefit analysis, the transport unit determined that it was cost-effective to outsource the rental of a specific class of vehicles (with a scale-down plan) for a defined time period, after which the estimated costs would likely exceed the amortized cost of purchasing the vehicles.

**UNOPS.** A cost-benefit analysis on outsourced facilities cleaning found that, even though cleaning staff would receive higher salaries through UNOPS contracts (compared with salaries from private cleaning companies), because UNOPS received an exemption from paying value added tax and other taxes (amounting to approximately 25 per cent of cleaning staff salary), the overall cost of insourcing the service was lower than the cost of hiring private cleaning companies who were not exempt from paying such taxes. Consequently, UNOPS decided to fully insource cleaning services, a move that has also allowed for more flexibility with regard to utilizing the cleaning staff outside regular office hours. The arrangement is a win-win one, as cleaning staff are more motivated because they receive higher salaries and a range of benefits including medical and sick leave, without imposing any long-term liabilities upon the organization.
• **UN-Women.** A cost-benefit analysis of audit services that were internally outsourced to another United Nations system entity found it to be too expensive, and consequently UN-Women moved to a hybrid system whereby audits of corporate services were undertaken by in-house staff and thematic and country office audits were outsourced to consultants.

• **UNWTO.** In 2010, UNWTO conducted a cost-benefit analysis of having its own security department with four to five guards compared with outsourcing security to a private company. It decided to outsource, as that option provided the benefit of more up-to-date training and certification, which would have been very expensive for it to provide in-house.

• **UPU.** Audit services went from being provided in-house to being outsourced to a private company over a decade ago, following a cost-benefit analysis that found the cost of the high-level position of the in-house auditor not justified by the limited workload.

• **WIPO.** Written translation was outsourced, based on a cost-benefit analysis that factored in the relative costs of workforce adjustable to varying demands for particular language combinations, quality control costs, and the future impact of developing artificial intelligence technology to assist with translation.

• **WHO.** In deciding to outsource headquarters renovation, the multidisciplinary, evolving and fluctuating nature of needed services was considered. Rather than hiring multiple individuals at 40 per cent for 6 months or at 20 per cent for 6 years, it was decided to hire a company to provide all required expertise and “call-off” services as needed.

• **WMO.** A cost-benefit analysis of outsourced 24-hour ICT help desk services in English and French found it to be cost-ineffective due to limited demand, particularly in French. It was decided to retain such support only during business hours in Geneva and only in English, leading to cost savings of 10 per cent.

223. The aforementioned examples make it clear that decisions on whether or not to outsource are clearly better-informed when they are arrived at through a cost-benefit analysis.

As a best practice, the World Bank goes a step further by requiring that there be an upfront strategy for any outsourced service that is procured – a strategy which is then reviewed by an independent committee. There is one committee that looks at procurement between $1 million and $5 million and another high-level committee for procurement above $5 million. Cost-benefit analysis, vendor risk and sustainability are all elements that are presented to the committee, which, unlike a tender board, is pre-solicitation rather than pre-award. 

224. The Inspector is of the view that any decision to externally outsource, particularly in the first instance for a certain service, and ideally each time a contract for an outsourced service is up for a renewal (as practical and feasible), should be based on the findings of a cost-benefit analysis with a clearly established methodology that may be tailored to the requirements of the service under consideration. The methodology should factor in both quantifiable and unquantifiable costs such as environmental and social impact among other considerations. When undertaken consistently, such a practice can reassure organizations that the decision on the sourcing option arrived at is indeed in their best interest, all things considered.

225. Consequently, the implementation of the following recommendation is expected to enhance transparency and accountability in how sourcing decisions are arrived at, enhance efficiencies in the acquisition of services and lead to significant financial savings.

---

81 There is a third phase where the committee is briefed on the proposed award of the contract. In some cases, a post-contract-award briefing is provided to the committee to tell them what actually happened.
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.

B. Assessment of risks

226. In undertaking outsourcing or considering the utilization of this sourcing option, organizations highlighted a number of associated risks that are detailed in chapter IV and in annex VIII. Some risks are general and inherently associated with the very act of external outsourcing, while other risks are specific to certain outsourced services. Some contract managers also noted that not undertaking outsourcing was itself a risk, as the inability to acquire the latest skills and expertise could make them irrelevant to their beneficiaries and stakeholders. Contract managers and procurement officials generally noted that risks varied according to the type of service contracted out, its functional objectives, the degree of volatility in demand, external factors (economic, regulatory, etc.), upstream dependencies and downstream clients, the anticipated benefits of contracting out, the potential for undesired and unexpected side effects, and the extent to which external stakeholders would interact with the service provided.

227. Collectively, the risks identified by organizations can be classified into the following categories:

- **Reputational risks:** poor quality outputs by vendors; vendor non-compliance with international labour standards and ethical, human rights, humanitarian and environmental principles; risk of industrial action by outsourced personnel over pay and working conditions; delivery delays by vendor in humanitarian relief operations; vendor ties to parties in conflict in crisis locations; and vendors using their contracts with United Nations system entities to market themselves.

- **Legal risks:** intrusion of national laws as the result of the presence of vendor personnel in organizational premises; sanctions and embargoes limiting the scope for vendor action; and the inability of vendors to accommodate the privileges and immunities that intergovernmental organizations enjoy.

- **Inappropriate vendor practices:** fraud; collusion; undersupply; kickbacks; non-compliance with organizational regulations; and aid diversion when last-mile delivery is outsourced.

- **Reduced flexibility:** vendor inability to adapt to irregular work hours or cater to changing or last-minute needs.

- **Physical security:** heightened discretion and confidentially concerns and risks to the safety of staff or delegates posed by vendor access to the organizational premises; and loyalty of outsourced security personnel to the company rather than the United Nations entity.

- **Data security risks:** access by Governments and their agencies to sensitive data stored in outsourced cloud servers in their countries.

- **Lack of suitable vendors for specialized services in field locations and conflict and humanitarian crisis settings.**

- **Financial risks:** high initial transition costs; hidden costs; excessive insurance premiums in high-risk locations; and controlled competition by the State.
• Vendor lock-in: highly specialized or customized services; knowledge transfer from the organization to the vendor; and no knowledge transfer from the vendor to the organization.

• Business continuity risks: risk of the company going bankrupt; risk of the company changing ownership, resulting in a redefined focus that no longer meets organizational needs; and knowledge loss resulting from high staff turnover.

• Cultural insensitivity risks: lack of vendor sensitivity to the multicultural environment of international organizations.

228. Some risks are self-created and emanate from an organization’s lack of due diligence. For instance, one large organization that makes widespread use of consultants noted that, while its policy on consultants required them to take out accident and sickness insurance during their period of service, the organization did not verify whether the consultants had actually done so. Consequently, there have been instances of consultants going out to crisis locations without accident and sickness insurance coverage. This creates a reputational risk for the organization should the consultant fall ill while performing work on its behalf but is unable to afford medical treatment due to not having insurance.

229. Through its own internal desk review, JIU found 13 types of outsourcing-related risks identified by financial sector entities that were applicable, with relevant modifications, to the United Nations system organizations. These include: access risk; compliance risk; concentration and systemic risk; contractual risk; counterparty risk; country risk; cyber risk; exit strategy risk; legal risk; operational risk; reputational risk; and strategic risk (see annex X for further elaboration on each type of risk).

230. Specific outsourced activities highlighted by organizations as being particularly risk-prone include: building and construction projects, ICT purchases, procurement of pesticides, spraying services for locust control, fertilizers for conflict-prone areas, vaccines and live animals (FAO); data storage via cloud services (UNAIDS and WIPO); translation (UNESCO and WIPO); procurement (UNHCR); lab and inspection services (UNICEF); camp management and security services (UNOPS); and ICT consulting and applications for intellectual property registration (WIPO).

231. Organizations acknowledged that, while outsourcing-related risks could not be fully eliminated, they could be addressed through risk assessment, which was the process of identifying risks, analysing their consequences and, where necessary and possible, identifying and implementing strategies to mitigate the negative impact of the risk by reducing the likelihood of its occurrence or reducing avoidable consequences through planning, monitoring and other appropriate actions. In most organizations, such assessments are conducted on an ad hoc basis (depending on the scope, volume and impact of the service to be outsourced), typically by the requisitioning office, with some guidance received upon request from the procurement office.

232. Specific risk assessment measures in place in some organizations include the following:

- **FAO.** While a risk policy and a corporate risk log are in place, and the procurement office provides advice and support on risk assessment and management, assessments are not undertaken formally for all sourcing activities.

- **International Federation of Red Cross and Red Crescent Societies.** The organization has a general risk policy covering the procurement of services, insures all contracts to mitigate risks, and tries to comply with ISO 31000 (on an integrated risk management approach), which harmonizes all risk components – ICT, data protection, finance, accountancy, financial risks, inventory, facility and contingency planning.

- **ILO.** Risk identification and assessment are carried out collaboratively by the requisitioning and procurement offices, culminating in the development of risk registers for all procurement transactions over $50,000, prior to the publication of solicitation documents. The procurement office has prepared guidance on undertaking
procurement risk assessments, and risk mitigation plans are developed on a case-by-case basis.

• **ITU.** Before the issuance of major tenders, a rudimentary risk assessment is carried out by the requesting unit and the procurement office and is documented in the source selection plan.

• **United Nations.** Risk assessments are considered as part of the source selection plan, and a risk register was developed in 2014. The organization’s procurement manual includes a chapter on risk management.

• **UNAIDS.** While risk assessments are currently undertaken annually at the overall country office and department work plan level, and risk management was rolled out to programmatic areas in 2018, assessments of individual large-value or significant contracts are not yet in place.

• **UNDP.** The organization has a risk mitigation framework applicable for a wide range of outsourced services. In undertaking risk assessments, it ranks the probability that something will happen (on a scale of 1 to 5, with 5 being very likely and 1 being very unlikely) and the impact of occurrence (on a scale of 1 to 5, with 5 being very high impact and 1 being very low impact). It also assesses ways to eliminate, mitigate, share or accept an identified risk.

• **UNFPA.** Business units in charge of outsourced services include perceived risks and mitigation strategies in their enterprise risk management plans.

• **UNHCR.** For complex and high-value procurement, the headquarters procurement section conducts risk assessments for each procurement action, including risk analysis and categorization and updates to risk registers. Based on the risk identified, a mitigation plan is prepared and communicated to the requesting unit for determination. As this exercise is not mandatory, it is undertaken by field offices on a voluntary basis and with varying methodologies.

• **UNICEF.** The Supply Division rolled out a new, centralized vendor evaluation process in 2017 for all UNICEF offices globally, which includes a risk assessment of the vendor’s financial position along with any ethical issues related to the company.

• **UNIDO.** The Procurement Manual contains a chapter related to risk management, which is being further developed and applied to complex outsourcing contracts.

• **UNRWA.** While the procurement unit assesses, addresses and provides advice on vendor-related commercial risks at several steps of the procurement process (e.g. vendor selection criteria, bid securities and performance bonds), the requesting unit remains the subject matter expert and analyses risks while planning projects.

233. As a good practice, the most systematic measures appear to be in place in WIPO, where procurement risk identification, assessment and response planning are conducted as part of biennial or annual planning processes, including risk assessment of potential suppliers. All identified risks are recorded in the corporate risk register and have designated owners, both for the risks and for risk mitigation. Additionally, critical contracts (those involving goods or services without which WIPO operations would be severely disrupted) necessitate the preparation of a business continuity plan by the relevant programme manager. Assessments are conducted on residual risks (that is, risk after mitigation measures), and the organization has a risk management group that meets quarterly to review its risk portfolio. Programme-related outsourcing risks are reported to the governing body, and the organization’s annual performance report details how risks have evolved and how they may affect programme performance.

234. Another good practice in assessing and managing risks comes from IMF, where, following an internal audit finding that it can be a major problem if the Fund does not proactively identify risks associated with vendors of outsourced services, the procurement unit developed a third party risk management framework in 2018. The framework assesses eight dimensions of risk, which include: financial, information security, business continuity, sourcing, legal, reputational, cross-functional and human resources.
risks. From January to June 2019, six projects with institutional impact and at different stages of the procurement process were pilot tested against the framework for risk.

235. The Fund identified the following benefits vis-à-vis the third party risk management framework:

- Clear understanding of which third parties IMF does business with
- Services ranked according to risk, with critical services identified
- Complete third party risk tier segmentation and inventory of the third party
- Risk-based approach to ongoing monitoring post-contract
- Clear roles and responsibilities across lines of defence and risk oversight functions
- Alignment of framework practices to procurement activities
- Enhanced alignment of mitigation tactics with contractual language
- Potentially greater use of technology to manage third parties
- Greater consistency of practices organization-wide with regard to the treatment of third parties
- Greater understanding of dependence on third parties and subcontractors
- Sustainable approach to procurement, providing a comprehensive view of critical third parties, risks and related issues.

236. The IMF procurement office was of the view that, ideally, such risk assessments should be conducted by an external entity, in order to avoid delays and potential conflicts of interest associated with a contract manager undertaking the task (e.g. pressure from the project manager to push the project through). Additionally, as IMF cannot do a risk review for all projects, it will develop a template to guide the number of types of risk reviewed for type of project (e.g. more high-profile projects are more likely to have all eight risk elements reviewed).

237. The World Bank, which outsources $2 billion annually to over 30,000 vendors, has developed a vendor risk assessment framework to have a more structured and predictable relationship with vendors. The framework has three key steps: risk assessment and identification; risk mitigation measures; and monitoring. The framework addresses five risk types (with all other risk types considered to be low risk), namely: (a) confidentiality risks; (b) risks to critical business processes; (c) security risks; (d) risks of doing business in challenging territories; and (e) risks of having vendor personnel on premises. To assess if there is a risk with the outsourced service, the contract manager must complete an assessment of 5 to 15 questions, which is then scored by the corporate procurement office. Based on the scoring, the service is assigned a risk rating between one (low) and four (high). If the assessment identifies even one of the five risks, mitigation measures are developed by corporate procurement and in-house subject matter experts and conveyed to the contract manager. The higher the risk rating, the more often the contract manager will need to engage with the vendor on remedial measures.

238. While the Inspector welcomes the risk assessment measures outlined by organizations, it is clear that the level of sophistication of such assessments varies considerably across the board, and assessments are not conducted consistently for all outsourcing activities. This represents a lost opportunity for organizations to reduce liabilities. To address this deficit, the Inspector is of the view that the implementation of the following recommendation, which complements recommendation 7 of JIU/REP/2014/9, will lead to enhanced efficiencies in organizations’ operations, through the early identification and mitigation of risks that could otherwise lead to financial losses and affect the business continuity of organizations.

**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.
VII. Improving vendor selection and post-award contract management for outsourced services

239. While in the preceding chapter the Inspector addressed useful measures pertaining to the conduct of cost-benefit analyses and risk assessments to arrive at a decision on whether to outsource, in the present chapter he will outline how the management of outsourcing can be improved through beneficial practices vis-à-vis vendor selection and post-award contract management. As noted in the introduction, the intent of this report is not to go into in-depth assessments of procedures and provisions relating to vendor selection and contract management, as these topics have been addressed in-depth in earlier JIU reports. Rather, this chapter is focused, at a more general level, on the existence of some key provisions for managing outsourcing-related procurement (see figure IX) and related good practices.

A. Vendor selection process

240. Once a cost-benefit analysis has been conducted and a decision made to outsource with the relevant risks assessed, the vendor selection process becomes key to ensuring that the right party with the necessary capacity has been selected to engage in a contractual arrangement where the deliverables, quality standards and timelines are clearly laid out. As figure IX denotes, 13 organizations responded in the affirmative that they had established vendor selection criteria for outsourcing, and all but 1 applied those criteria on a consistent and regular basis. Organizations responded that, while such criteria would depend upon the nature of the specific service, they were likely to include the methodology proposed to handle the services, the expertise or experience of the bidder in providing the services required, the quality of the proposed service-level agreements (that is, the granularity of key performance indicators and their target) and potential penalties.

241. With regard to specific provisions for outsourced services in vendor selection, all organizations noted that the same standard procedures applicable for competitive procurement were applied. As the objective of the selection process was to always identify the vendor whose offer represented the best value for money, organizations responded that, as a good practice, they routinely attempted to ensure that the following basic procurement provisions were met:

- The assessment process is transparent, fair, objective and confidential, conducted as per the defined assessment criteria and methodology
- Technical and financial assessment criteria and corresponding scoring weights established during the development of source selection plans are clearly reflected in solicitation documents (requests for proposals and terms of reference)
- Solicitation documents clearly outline deliverables and key performance indicators
- The requisitioning office, with support and guidance from procurement offices and external experts, develops the solicitation documents, takes the primary lead in assessing offers and documents all steps
- To participate in tendering processes, vendors should customarily be registered in the United Nations Global Marketplace, complete a mandatory declaration that they meet the prerequisites for eligibility and certify that they are in compliance with the United Nations Supplier Code of Conduct.

242. Through the review, the Inspector identified several good practices in several organizations with regard to vendor selection for outsourced services, as outlined below, that merit consideration and replication.

1. Preparation of an orientation document

243. As a best practice, for ICT procurement by the European Commission, prior to the commencement of a public procurement (that is, before outlining technical requirements), the service manager and his or her supervisor will have to write and present to the Information Technology Procurement Board (which takes decisions on
long-term strategic ICT matters) an orientation document in which they explain conceptually how the tender is going to work. The Board will decide if the procurement corresponds with the strategic direction the organization wants to take and whether the mechanisms make sense. This document is approved six months before a tender is published.

2. Application of pre-qualification requirements

244. Several organizations apply pre-qualification requirements, whereby solicitation documents are sent to, and bids are only received from, vendors who can comply with the core requirements of the specific solicitation process. These requirements are applied when certain services: are procured on a regular basis (e.g. for long-term agreements); are complex or specialized; involve a high degree of risk in procurement (e.g. security and safety equipment and services); or have very specific technical requirements that are easily measurable (e.g. certification by a technical institution or authority, certain proven capacity or output, or a track record of minimum years of relevant experience).

245. Whether outsourcing a service in the first instance or reissuing tenders for ongoing outsourced services, the conduct of market research is critical to ensuring that tender specifications are aligned with the latest market innovations that can further organizational efficiencies. Such a role must necessarily and proactively be performed by the requisitioning office, given that it is the entity best placed in the organization to understand its own particular needs.

246. As a good practice, the Global Fund noted that, as it spent billions of dollars per year on the purchase of pharmaceuticals, it tried to understand the market dynamics for the procurement of certain types of pharmaceutical products. Was it buying the right product at the right quality and at the right price? How could it control value? What were the key drivers of the market? To this end, it organizes meetings with different buyers and suppliers to understand market trends, supplier concerns and drivers. Similarly, several other organizations use external expertise to conduct market research, as noted in the following point.

247. The World Bank has gone a step further, through the establishment by its corporate procurement office of a business intelligence and market research function, which looks at knowledge management and the effective utilization of technological tools. This allows for feeding the most recent information into the contractual relationship with vendors. Market research informs the Bank on what the right price points are that must be known and incorporated into a tender.

248. The World Bank has also developed “category strategies” whereby it brings together all relevant information technology elements that it presently uses (hardware, software and cloud) and its pipeline of ICT needs for the next 5 to 10 years and undertakes market research to assess the type(s) of technology to explore to meet those needs. This is an output-driven approach. Category strategy combines proactive, holistic internal analysis (of existing and future needs) with external analysis (market research) and matches them together to see where the opportunities exist and how to get there. The output is long term and proactive and linked to the business strategy of the organization. In the make-versus-buy decision, the business process committee incorporates the category strategy into its decision-making.

4. Utilization of external expertise

249. For highly specialized services for which in-house knowledge and expertise are lacking, several organizations utilize external experts to undertake market research, to draw up the terms of reference or statement of work, to develop assessment criteria and key performance indicators for solicitation documents, and to provide advice and guidance in the assessment of bids. For instance, for outsourced automated warehousing, the United Nations and UNICEF utilized consulting firms with knowledge of the service to develop relevant assessment criteria, to undertake technical assessments and to develop recommendations. When procuring new ICT services, the European Commission contracts consultants to research the market and provide options with relevant technical specifications.
When renewing ICT contracts, it consults with multiple vendors on market innovations to adapt and define the technical assessment criteria for vendor selection.

5. Testing of vendors

250. As a good practice, several organizations test potential vendors on components of the service to be delivered prior to selection. For instance, once companies have submitted the technical and commercial offers, the European Organization for Nuclear Research tests all bidders by requiring them to perform select typical tasks in the contract. The bidders are then scored and can be disqualified if they fail.

6. Testing of services

251. Some organizations also test the services offered by vendors as part of the selection process. For instance, when UNOPS issued a tender to contract a learning management system, 5 out of 500 platforms met its requirements. These five platforms were tested by 20 to 25 UNOPS staff for user-friendliness, in terms of being able to be used independently, without the need for any orientation or training. Software testers included a mix of learners (regular course users), instructors (people coordinating or delivering a course), learning coordinators and supervisors. While the process was time-consuming, UNOPS needed to make the right choice, as it would be the only learning tool UNOPS would use, and changing the provider at a later stage would be costly.

7. Weighing the pros and cons of outsourcing to freelancers versus companies

252. Organizations noted that the decision whether to outsource to freelancers or companies should be made based on the nature of the service and internal capacity. For instance, for translation services, several organizations found the quality delivered by freelancers to be superior to that of translation companies. This was attributed to the fact that most freelance translators had a long-standing relationship with the organization and were thus familiar with the terminologies and concepts specific to it, while the organization was familiar with the quality of product the freelancer could provide. However, translation companies, when bidding for contracts, typically presented the profiles of their most experienced translators. Once a contract was awarded, though, the organization had no control over whether or not the translator assigned to the task by the company had the relevant experience. Additionally, translation companies typically cost the organization 20 to 25 per cent more than what a freelancer would cost.

253. The same considerations hold true for interpretation services, with organizations noting that freelance interpreters came with the additional assurance that most belonged to the International Association of Conference Interpreters – for which they needed to have years of experience as well as referrals from experienced members to be accepted as members. On the other hand, small organizations that may have only a few or no in-house staff to perform a function expressed their preference to outsource to a company, as it would be better resourced to respond to immediate or urgent needs for backup support and business continuity than would an individual freelance contractor. This was the rationale by which UPU, with limited in-house ICT staff, chose to outsource to a company and not a freelance ICT professional.

8. Utilization of user feedback

254. When contracts are up for renewal, organizations should collect and analyse user feedback to assess vendor performance, better identify needs and adjust the deliverables for future contracts. For instance, in the case of ICT services, UNWTO and IDB collect end user feedback through client satisfaction surveys and workshops and factor them into tender preparations and contract award decisions.

9. Structured support to field offices

255. The World Bank’s procurement office has developed terms of reference templates for non-complex, low-value procurement, which country offices are encouraged to use. For most outsourced services, it encourages country offices to hire local legal consultants to understand
local labour laws, restrictions, mandatory rotation requirements and co-employment risks (risk created when vendor personnel perform services on site but report to external supervisors). For any procurement exceeding $50,000, the headquarters procurement team reviews and comments on the terms of reference and assesses legal aspects, while the technical and financial assessment is undertaken by the country office.

10. Use of neutral parties to further independence in scoring bids

256. OECD requires a minimum of three persons on the selection panel for any procurement activity, each of whom should do independent scoring. Sometimes it recommends that one of the panel members be from a different office than the requisitioning office, in order to have an independent perspective. However, this may be challenging, as the person may not have the technical knowledge to assess the bid.

11. Development of relevant key performance indicators

257. **Key to effective contract management is the development of practical and meaningful performance indicators that are specific, measurable, achievable, relevant and time-bound to the initial contractual period.** This necessitates ensuring that relevant expertise with in-depth knowledge of the service is available to develop indicators for inclusion in solicitation documents. It is also critical to thoroughly assess indicators for relevance, as many organizations lamented that contracts were often full of nonsensical or aspirational indicators that could not be realistically monitored or measured, were of little or no added value, and additionally placed heavy administrative burdens upon the contract manager. As a good practice, the International Federation of Red Cross and Red Crescent Societies established a position in 2018 to develop performance indicators for service contracts in general, while OECD and UNESCO hired experts on the market for electricity and facilities management to develop measurable performance indicators for those services. The United Nations benchmarks indicators against those contained in other existing contracts and cautioned that, while some of the indicators might be mechanical, they responded to concerns of the organization’s legal department, which had called for eliminating any subjectivity in contracts.

12. Ensuring balance between quality and cost criteria

258. Several organizations noted that, in the vendor selection process, there had been multiple instances of bidders who had provided an offer price well below that of competitors. Organizations knew from experience that it would not be possible to deliver services at the required quality at that price level. Most organizations control for this by specifying weights for the technical criteria (quality) and financial criteria (cost) when assessing bids. Many contract managers emphasized that the technical criteria should, as an absolute minimum, receive the same weight as the financial criteria (i.e. 50–50) and should ideally be assigned a higher weight. As a good practice, OECD typically assigns a weight of 70 per cent to the technical criteria and a weight of 30 per cent to the financial criteria to weed out unfit vendors.

13. Tailoring contract duration to the nature of the outsourced service

259. While the durations of outsourced contracts vary from one organization to another and, at times, from one service to another, most organizations tend to have a maximum fixed time frame for service contracts, including long-term agreements. These range, with extensions, from three years to a maximum of five years. Where the maximum duration is for three years, contracts are typically for one year, renewable annually for up to two additional years (1+1+1). Some contract managers noted that this arrangement was useful in keeping vendors alert and responsive. Where the maximum duration is for five years, contracts are typically for three years, renewable annually for up to two additional years (3+1+1). Contract managers noted that such arrangements provided financial stability for vendors, which, in turn, provided them the space to invest in innovation.

260. As a good practice, some organizations have provisions that allow for extensions beyond the standard time frame, when the particularities of the service justify it. For instance, in UNDP, the central procurement unit supports offices to provide ex ante justification for long-term agreements that go beyond the standard three years. Exceptions are justified when
there are significant start-up costs (e.g. the vendor has to develop a costly technology for UNDP and costs need to be recovered over a certain number of years), when the tendering process can take a long time (e.g. nine months to one year for air freight and air travel management) or when services are from a monopolistic market and are expected to remain unchanged (e.g. Microsoft Office Suite for word processing services). In UNOPS, contract durations exceeding five years must be outlined in the business case, along with a justification of why they are needed, and approved in advance by the Procurement Group Director. In UNICEF, long-term agreements allow for the possibility of extension for an additional period beyond the initial contract duration, provided supplier performance has been satisfactory and prices have been reviewed and found to be competitive at the time of extension.

261. As a best practice to standardize procedures for granting exceptions, IMF has developed the following five qualifiers for “enterprise renewal” (that is, when the contract does not need to be limited to the standard time limitations of 3+1+1 years) of ICT contracts. If a contract fulfills any two of the following qualifiers, it can be considered an “enterprise renewal”: (a) the scope supports multiple lines of business; (b) the initial cost of acquisition, plus implementation and subsequent customization over five years, exceeds $2 million; (c) the lack of substitutes or deployment of a potential substitute and technology adoption would take more than two years; (d) analysis reveals that, despite a transition plan, replacing the solution may incur a recovery time greater than a predetermined acceptable level, causing an adverse business critical impact; and (e) there is a regulatory requirement to keep the contract valid.

262. The World Bank noted that, factoring in the need to develop longer-term contracts for certain services, all contracts had a discretionary termination clause that allowed the Bank to exit a contract with a vendor with 60 days’ notice. This is a good fallback option that allows the Bank to sign contracts for six years rather than the standard 3+1+1 years.

263. Many organizations further noted that, for highly customized services that involved major expenditure in initial development (e.g. enterprise resource planning systems), for services where it was highly time-consuming (e.g. ICT data centres) or complicated (e.g. outsourced cloud storage) to transition from one vendor to another, and for services that were highly sensitive (e.g. armed security) or had a limited number of suppliers (e.g. aviation services in humanitarian crisis and conflict locations), the need to adhere to maximum standard time frames was both impractical and inefficient, as the time and resources spent over several months only to procure from the same vendor made the tendering process more of an unnecessary compliance-related formality than a practical necessity.

264. The Inspector finds merit in these concerns and welcomes the consideration for flexibility in contract extensions beyond standard time frames. However, any extensions should be time-bound up to a maximum limit, in order to prevent monopolization by the same company, and in cognizance of the fact that almost all markets can and do evolve over time. The implementation of the following recommendation is expected to lead to enhanced efficiencies in outsourcing practices, by cutting down on the time and resources spent on unnecessary tendering processes.

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.

14. Encourage the participation of small and medium-sized vendors

265. During interviews, contract managers from several JIU participating organizations noted that tenders would repeatedly be awarded year after year to the same two to four large companies who had a dominant foothold across multiple sectors. They noted that, oftentimes,
there were new and smaller players on the market, which had established a solid reputation through innovative and efficient practices and the utilization of cutting-edge technology. However, those companies were excluded from bidding processes as they could not meet minimum thresholds for annual turnovers, as stipulated in solicitation documents. Such restrictions limit the ability of organizations to select the most suitable vendor, particularly in regional and field locations where markets may be significantly smaller than in headquarters locations.

266. The European Commission has sought to address precisely this unnecessary deficit by adopting a political statement to promote the space for small and medium-sized enterprises to compete effectively, and thereby avert the scenario of all contracts going to the same large company or a small number of large companies. The Commission, along with UNOPS, furthers this goal by dividing procurement into small lots to allow small and medium-sized enterprises to compete. The Commission also sets attainable thresholds for qualification requirements, such as requiring that bidders have an annual turnover that is only double that of the contract value. Along with the United Nations, it also allows companies to form a consortium and bid together as one. UNOPS has the option to limit competition – when justified – to micro, small and medium-sized enterprises. It also organizes “possibilities forums” in targeted countries to meet potential buyers and strengthen supplier diversity, with a focus on micro, small and medium-sized enterprises and traditionally disadvantaged businesses such as women-owned businesses.

267. While acknowledging that the above-mentioned provisions, particularly as regards turnover, may not be practical for highly sensitive outsourced services such as security, where organizations cannot afford a disruption in services due to the financial insolvency of a company in the middle of a contract, the Inspector considers the above-mentioned measures that can and should be replicated for most non-sensitive outsourced services. Additionally, whether to consider a proposal from a consortium, and the type of contract to be signed with the vendors constituting such consortium, is a determination that should be made by each organization on a case-by-case basis, in the light of the operational requirements of each procurement activity, and in consideration of the risks, including from a legal perspective, of such an arrangement.

268. When allowing for consortiums, organizations should ensure that (a) the contract to be concluded with the successful vendors binds and is enforceable against all members of such a consortium; (b) the scope and responsibilities of each of the entities participating in the consortium are clearly set forth in the contract; (c) each of the vendors is jointly and severally liable for the acts and omissions of the other partners of the consortium; and (d) all members of the consortium have the financial, managerial, and operational capabilities to enter into and perform the contract.

269. To widen the space for United Nations system organizations to select small and medium-sized vendors, as a good practice, executive heads of United Nations system organizations should instruct relevant offices to review and amend, as applicable, policies and procedures to ensure that the following provisions are duly incorporated into tendering processes: (a) where thresholds of minimum annual turnover exist for a vendor to be eligible to bid for a contract, such thresholds should be based on industry standards and modified to reflect the market context; (b) vendors should, consistent with adherence to legal obligations and safeguards, be allowed to form a consortium and bid together as one; and (c) where feasible and practical, tenders may be divided into lots to allow smaller vendors to compete.

B. Post-award contract management

270. Post-award contract administration and management encapsulates the ongoing monitoring and management of the vendor’s performance and obligations in relation to contracted services. It is undertaken to ensure that the parties to the contract fulfil their contractual obligations and that the end user is supplied with goods or services of the requisite standard by the required time and within budget. Vendor monitoring, performance assessment (assessing the vendor’s fulfilment of contractual requirements with regard to
quality, delivery and timeliness), contract renewal, the handling of vendor transition, and information and knowledge management vis-à-vis lessons learned become key components of post-award contract management.

271. As indicated in figure IX, with regard to the existence and application of key provisions related to post-award contract management in the JIU participating organizations (see annex IX for list of entities):

- Thirteen to 14 organizations responded affirmatively that contract monitoring procedures, performance assessment and contract renewal criteria were in place for outsourced services, of which 11 to 12 confirmed that the procedures were adhered to and the criteria were applied consistently and regularly.

- Twelve organizations had a centralized electronic repository for all outsourcing contracts.

- Ten organizations had a database or roster of entities to whom to outsource different services and activities, including performance rankings and “delisting” methodology.

- Only three organizations maintained a lessons learned register or log of their experiences in outsourcing.

272. All organizations confirmed that the procedures and criteria for post-award contract management for outsourced services were the same as for other procurement activities and were focused on ensuring that:

- The requisitioning office assumed the primary responsibility for post-award contract management, with support and guidance from the procurement office.

- Vendor monitoring was conducted against the agreed performance measurement criteria outlined in solicitation documents and the final contract. This included ensuring that variances from the original contract were justified, and that the contract was amended to reflect agreed changes to the original scope of work.

- Performance assessments were mandatorily conducted for all service contracts, either upon completion of the services performed, or on a set periodic basis, to assess whether services were delivered in accordance with contract schedules, requests met with timely responses, contractual terms and conditions were complied with, warranty provisions were adhered to, and the quality of the services provided was in accordance with key performance indicators.

- Contract amendments or extensions were preceded by the completion of vendor performance assessments, an updated cost-benefit analysis and an assessment of market conditions, and accompanied by reissued or modified guarantee documents.

273. Through interviews with organizations and internal desk research, the Inspector identified several useful practices in the realm of post-award contract management for outsourced services, for the consideration of organizations as outlined below.

1. **Develop strategic relations with vendors**

274. The World Bank highlighted that case studies had shown that 70 to 80 per cent of the value of engagement between vendors and suppliers lay in the post-contract phase, due to innovative solutions that vendors could bring to a relationship through more strategic engagement. Consequently, the Bank sought to unlock that untapped value through strong engagement management with vendors, whereby it viewed the tendering process as just a “wedding proposal” and the contract as just a “marriage date”, while the relationship with the vendor was the “marriage” itself, and how the organization maintained that relationship determined whether the marriage would succeed. Along similar lines, procurement officials in one organization lamented that, during selection processes, United Nations system organizations did not place sufficient emphasis on what bidders were proposing to provide—an approach that stifled innovation and creativity and resulted in the perpetuation of the same established vendors. While United Nations system entities can potentially benefit from more strategic engagement, safeguards should be in place to ensure that such engagement does not violate organizational rules and regulations relevant to the management of contracts.
2. Developing tools for real-time contract monitoring

275. Several organizations have developed online tools that allow for real-time contract monitoring to further efficiencies and reduce delays. For instance, for freight forwarding services, UNICEF has developed an electronic data interchange system that allows for its enterprise resource planning system to communicate with that of the vendor to allow for better information exchange and reporting on key performance indicators. The UNDP online contract management module, rolled out in June 2018, enables business units to issue contracts and performance evaluations through the enterprise resource planning system and to receive alerts about delivery and contract expiration dates.

3. Provisions to renegotiate contract baselines

276. When organizations enter into long-term agreements with a vendor, what might represent the best value for money at the time of contract issuance may devolve into something less ideal if market prices for the product change significantly or new technologies arise over the course of the contract. To address the uncertainty, UNHCR, in issuing tenders for ICT services, asks companies to provide prices for each of the first five years of the contract and includes clauses in the contract which allow it to reset and renegotiate baseline prices. They have done this successfully for outsourced satellite services, as the vendor knew that, if they did not go along with the renegotiation, the organization would go for an open tender, so it was in the interest of both to cooperate.

4. Provision of learning curve for new vendors

277. WIPO has established a trial period of one year for new suppliers of outsourced translation services, to allow for a learning curve for the quality to evolve and improve over time. The key performance indicators and expected targets are consequently dynamic, in order to factor in continuous improvements. All translators are assessed once a month, and those that perform below an 80 per cent quality threshold for three consecutive months are replaced with companies in the reserve list.

5. Tailoring the frequency of vendor monitoring to the nature of the outsourced service

278. Contract managers noted that there should not be a one-size-fits-all approach to monitoring all services and that the frequency should depend on the nature, complexity and sensitivity of the service. Monitoring could range from constant monitoring (e.g. security guard services) to daily spot checks and more in-depth weekly checks (e.g. cleaning services). Meetings with supervisors of on-site outsourced personnel could be weekly (e.g. complex infrastructure contracts) or monthly (e.g. ICT services), while meetings with senior management of the outsourced company could be monthly, quarterly (e.g. software development), biannually (e.g. security services) or annually. Organizations also noted that it was not unusual for meetings to be more frequent at the beginning of a contract during onboarding to ensure that expectations were clear on both sides.

279. Reporting by vendors could range from monthly (e.g. project audit services, travel and security) to quarterly (e.g. investment management and training services) to annual (e.g. quality support for evaluations and ombudsman services) reports. Formal performance assessment meetings are typically held annually for most services. As a good practice, the European Commission documents all key points emanating from formal and informal meetings in follow-up reports.

6. Establishing multiple layers of quality assurance

280. Organizations highlighted the need for multiple layers of quality assurance for outsourced services to ensure that the final product was in line with specifications. For instance, in UNOPS, where all audit reports are made public, an internal reviewer is allocated for each outsourced project audit to perform three layers of quality assurance prior to the finalization of a report. Assurance can also be undertaken for products prepared by outsourced experts who may have greater expertise on the subject matter. For instance, all final evaluation reports approved by WFP are submitted to a post hoc quality assessment
conducted by an external firm, which assesses the report against evaluation quality standards, including gender and equity considerations.

7. **Establishing multiple levels of vendor monitoring**

   281. UN-Women recommended that there should be two levels of monitoring in contract management. The first is at the level of the requisitioning office monitoring vendor performance. The second is at the level of a function specialized in contract management (e.g. procurement office) to oversee all outsourced contracts. These two levels of monitoring are needed because, when an organization envisions outsourcing, it is for a given volume with well-defined needs, parameters and scope. However, when the organization enters into an agreement, more needs may arise than were initially envisaged, particularly in the case of highly specialized services, so monitoring becomes necessary to ensure that outsourcing stays within its scope and parameters.

8. **Enforcing compensation clauses**

   282. Depending on the nature of the service, many contracts have provisions in place for the organization to receive a credit (compensation) when a target is not met or a service is not delivered at the agreed level. For instance, in the case of outsourced security services, if a security guard falls sick and the vendor is unable to provide replacement personnel, it has to credit the organization back for the hours for which services were not performed. In the European Commission, the Humanitarian Operations Directorate receives credits for non-availability of planes and pilots for framework contracts with aviation companies. It also imposes compensation clauses upon vendors for not reporting within prescribed time limits.

9. **Establishing and enforcing early termination clauses**

   283. Clearly enforceable early termination clauses on the grounds of poor performance, non-performance or breach of contract are necessary measures for organizations to reduce risks and cut losses. While such clauses are incorporated into most outsourced services contracts, termination serves as a last resort, preceded by formal notification by the organization to the vendor to remedy unsatisfactory conduct and the provision of sufficient time to do so, with all steps clearly documented.

   284. Useful procedures for contract termination can be found in the European Commission, which can conduct audits of poorly performing vendors. These audits may result in contract termination by a centralized panel through the application of standardized objective criteria, while factoring in mitigating criteria such as vendor collaboration in audits. Additionally, financial penalties and time-bound exclusions can be applied and made public on the Commission’s website when charges are very serious. As a useful practice, IFAD, by developing relations with vendors of professional training services, has been able to incorporate clauses into contracts that allow it to cancel services without financial penalties up to three weeks before the commencement of training. However, organizations cautioned that such clauses do not compensate for lost quality and time, increase in workload on internal personnel, and reputational risks.

10. **Sharing lessons learned with vendors**

    285. The sharing of lessons learned from an outsourcing relationship is essential to addressing deficits and avoiding repeating the same mistakes in the future. Several good practices exist in this regard. For outsourced evaluation quality support services in WFP, the feedback from country offices is collected through forms. In addition, the WFP Office of Evaluation organizes workshops where evaluation firms are brought to gain a better understanding of WFP expectations and share lessons on what worked well and what could be done better. UNHCR organizes two-day workshops with the four large audit partners that undertake outsourced audit services on its behalf, to share challenges, lessons learned and what they can do better. For outsourced translation services, user feedback is sought by ITU and UNWTO (from its governing body), and follow-up meetings are organized with vendors to share lessons learned. For outsourced events management, UNHCR films the event,
collects feedback from partners and event attendees, and reviews such feedback with the company, with a focus on issues that need to be addressed for future events.

11. **Clearly establishing vendor transition arrangements**

286. Establishing clear transition arrangements between outsourced vendors becomes critical to ensuring business continuity and effective knowledge transfer, both from the vendor to the organization and from one vendor to another. During interviews, many contract managers lamented that changing vendors imposed a high burden on them, as they had to explain everything from scratch each time there was a new supplier, and not all suppliers could grasp the specific requirements of United Nations system organizations. Contract managers in the United Nations noted that vendor transition was a problem rooted in the organization’s human resources principles, whereby a replacement could not be brought in even a day before a staff member retired – a principle that was also applied to outsourced vendors. They emphasized that proper transition necessitated some essential overlap between the incoming and outgoing vendor.

287. However, experienced procurement personnel cautioned that there was no perfect way to make sure all knowledge was transferred, except through very active contract management and strong discipline, that is, retaining and understanding what was done and how it was done, to protect against overdependence on a vendor. They noted that instances where contract managers argued about high switching costs were, in fact, a symptom of the fact that they had not retained any knowledge internally of what the vendor was doing. Contract managers, however, noted that detailed written provisions for handover in contracts would help them to feel less beholden to the incumbent vendor and avoid unforeseen costs in the handover phase.

288. Despite the challenges, organizations highlighted some useful instances of successful vendor transition. The UNICEF general terms and conditions include an “end of contract” clause that specifies the responsibilities of a contractor upon termination of the contract (e.g. returning to UNICEF all confidential information and all intellectual and proprietary information and assisting another party to continue the services and any unfinished work). For fuel services in peacekeeping operations, there is a transition period of one month when both the outgoing and incoming vendors are paid. Elements such as contamination of the fuelling site are measured as part of the handover process. When changing its service provider for digital publications, IMO prepared a detailed transition plan with milestones and developed a backup system for the transition period. In both instances, the outgoing vendor’s contract included provisions requiring it to train the incoming vendor.

289. While the quality of cooperation was contingent upon the goodwill of the outgoing vendor, organizations noted that such vendors were usually happy to comply, as they did not want to burn bridges with the organization, keeping in mind that they would have the opportunity to bid for future contracts. The UNDP office in Jordan noted that, during vendor transitions, all affected teams were brought together, and the procurement office explained to them why they were changing the provider and what the benefits of the change were. Additionally, the service provider was brought in to explain what it would provide.

290. In the light of discussions with hundreds of contract managers across the United Nations system, it became apparent to the Inspector that requisitioning offices were, more often than not, daunted by the prospect of vendor transitions, primarily because they had not clearly thought through how they would manage such transitions when deciding to outsource. This, in turn, precipitated situations where either significant knowledge could be lost through the transition, or contract managers would become inclined to continue with the status quo, due to their apprehension of losing such knowledge through the transition. To address this deficit, the Inspector proposes the following recommendation, which, if implemented, will lead to enhanced efficiency, transparency and accountability in outsourcing practices, by necessitating the delineation of vendor transition plans and corresponding responsibilities.
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.
VIII. Strengthening coordination, capacity and oversight of outsourcing

291. While the previous chapters identified measures on how to improve decision-making on and management of outsourcing, the present chapter will address measures to enhance internal capacity, coordination, high-level direction, governance and oversight vis-à-vis external outsourcing.

A. Strengthening internal coordination of and leadership in outsourcing

292. As would have become evident throughout the review, primarily two functions are engaged in all stages of external outsourcing, namely, the procurement office and the requisitioning office. Specific roles may also be performed by the contracts committee, legal office, human resources office, senior management and staff representative bodies as detailed below.

293. Committee on contracts. These are advisory bodies at the headquarters and local level whose responsibility is to review and advise relevant officials on procedural issues arising from proposed contracts that exceed established monetary thresholds. Their role is to ensure that procurement actions are in accordance with the organization’s financial rules, regulations, procurement policies and principles, and that they are fair, competitive and transparent and provide best value for money. The committee also examines the financial and legal implications of a proposed contract with a view to protecting the interests of the organization.

294. Procurement office. This office’s roles and responsibilities include: serving as business process owner of the procurement function; ensuring that corporate procurement strategy, policies, systems and procedures support and promote ethical, transparent, timely and best value for money delivery of the required outsourced services; assisting in the conduct of tendering processes (reviewing solicitation documents and negotiating, drafting and awarding contracts); contract administration (contract amendment, extension or closure; record retention and security instruments management); and undertaking outsourcing activities exceeding directly delegated or redelegated procurement authority limits.

295. Requisitioning office. This office’s roles and responsibilities include: drafting a business case for outsourcing, including the conduct of market research, a cost-benefit analysis and a risk assessment; taking ownership of and approving the budget for the outsourced service; developing solicitation documents (scope of work, terms of reference and request for proposal), including requirements and technical and financial assessment criteria; conducting the tender process, including technical assessment of offers received from potential vendors; managing, monitoring and reporting on outsourced services performed by the contracted vendor; and preparing and maintaining procurement plans.

296. Legal office. This office’s roles and responsibilities include: establishing and reviewing contract templates; providing legal advice and interpretation on the drafting and negotiation of contracts, contractual terms and conditions and any claims and disputes raised by contractors; ensuring that provisions relating to privileges and immunities are incorporated appropriately into the contract; and reviewing any requests for changes to standard terms and conditions of the contract.

297. Human resources office. This office’s roles and responsibilities include: assessing and advising on whether the potential outsourcing of services may adversely impact staff employment and well-being; assessing whether outsourcing activities are in contravention of human resources rules, regulations and policies; and reviewing consultancy contracts to ensure that the work cannot be performed by in-house staff.

298. Senior management. The roles and responsibilities of senior management include: approving the organizational strategy for procurement and outsourcing; approving work plans of substantive departments that may include references to anticipated outsourcing plans; reviewing and approving recommendations for contract awards in accordance with the delegated procurement authority; providing directives on specific issues that may require ad
hoc decisions not covered by the regulatory framework; and providing strategic orientation for outsourcing, factoring in directives from Member States.

299. **Staff representative body.** The roles and responsibilities of the staff representative body include conveying staff positions on external outsourcing plans that may have a direct impact on staff rights and interests.

300. Changing from internal services to external outsourced arrangements is a change management issue that requires careful coordination, planning and management by relevant actors to ensure that those most affected are managed and that the service clients are prepared for the change. However, beyond the specific roles performed by the aforementioned functions, only two entities could provide instances of organization-wide coordination among relevant functions engaged in outsourcing matters. In the United Nations, the Office of Supply Chain Management was established following the Secretary-General’s management reform to bring together the organization’s logistics and procurement capabilities to further integrated end-to-end supply chain management and to coordinate outsourcing activities with all the entities of the organization. The UNHCR annual contract and procurement plan, drawn up in cooperation with all its internal customers, highlights the Commission’s outsourcing needs and is regularly updated by the head of each unit and the procurement office.

301. The lack of internal organization-wide coordination on outsourcing matters arises despite a JIU recommendation from 1997, which called upon executive heads to consider the designation of an official to serve as a “facilitator” for outsourcing. Some organizations noted that a de facto focal point role for outsourcing was already being performed by the procurement office, given that the same policies and procedures were applied for outsourced services as for other standard procurement activities. Small-sized organizations further noted that a formally designated outsourcing focal point would not be financially viable, given that they had only a few staff to perform procurement-related functions, and, additionally, their limited outsourcing volumes did not justify the establishment of such a function.

302. However, several organizations with notable outsourcing volumes noted that a focal point could potentially enhance coordination and streamlining of processes vis-à-vis outsourcing by performing the following roles:

- Assist in identifying services that have experienced considerable evolution in markets and technology and could be considered as potential candidates for outsourcing
- Support the development of standardized guidelines and templates for the conduct of a cost-benefit analysis
- Propose updates and adjustments to policies and workflows vis-à-vis outsourcing
- Ensure that requisitioning offices make outsourcing decisions in accordance with the Secretary-General’s directive (A/53/818) and General Assembly resolutions on outsourcing
- Coordinate the organization-wide sharing of lessons learned vis-à-vis outsourcing experiences

303. However, organizations cautioned that, when deciding to establish a focal point function, careful consideration would need to be given to where such a function should be located, how it could effectively check compliance and monitoring with outsourcing directives, and whether it should be involved prior to procurement action or during post facto review. The former could lead to delays, while the latter may necessitate establishing a mechanism to address non-compliance with directives. Additionally, for large organizations where outsourcing is decentralized and primarily conducted by country offices, the utility and added value of a centralized focal point would need to be carefully considered. It was cautioned that, as outsourcing was considered to be a loaded term in staff relations, the nomination of an outsourcing focal point could be perceived negatively by staff associations.

304. Given the rapid evolution in the market and technology for various outsourced services, the myriad benefits, challenges, opportunities and risks associated with this sourcing

---

82 JIU/REP/97/5.
option, and the fact that as many as 11 organizations have spent over a hundred million dollars on externally outsourced services from 2012 to 2018, the Inspector is of the view that organizations with considerable outsourcing volumes should consider the establishment of a focal point function for external outsourcing, which should primarily be tasked with assisting requisitioning offices with identifying and objectively assessing sourcing options, with a focus on technological innovations, and share lessons learned and good practices organization-wide among outsourcing practitioners. Such a focal point should complement and support the roles assigned to procurement and requisitioning offices – not replace them by any means.

305. To be of added value, the focal point should necessarily be experienced in business intelligence, in market research and analysis, in organizational procurement policies and procedures and in knowledge-sharing practices, in order to assist requisitioning offices to objectively assess their sourcing options, connect them to the right experts on relevant service areas in the market, share lessons learned and good practices with all contract managers within the organization and further a common understanding of outsourcing as a long-term strategic relationship, rather than just a transactional procurement activity.

306. While it is up to each organization, depending on its own structural specificities and needs, to determine which business unit would be well placed to perform the focal point function, a useful option would appear to be the corporate procurement office. As this office is the only organizational entity with an overview of all outsourcing activities within an organization, it could be the best place to bring together contract managers and vendors to share good practices and lessons learned, and to bring to light innovations and emerging opportunities in the market.

307. The furtherance of a centralized coordination role would necessarily be complemented and strengthened through clear directions from the organizational leadership on the potential role the option of outsourcing can play in meeting the needs of the organization. Interviewees highlighted that such a “tone from the top” was essential, given the widespread perception that the bureaucracies of intergovernmental organizations were typically resistant to change. They added that, if changes were not incentivized by the top, they would take a long time to occur, as the bottom-up approach did not work quite as well in most organizations. Consequently, any role for outsourcing in meeting organizational needs should be clearly articulated in documents outlining the strategic vision and direction of the organization. However, based on interviews with senior management, procurement officials and contract managers, no such directives exist in any organization, even though all undertake outsourcing in practice, in volumes that are certainly not inconsequential for most organizations.

308. The Inspector considers this lack of high-level direction to be a missed opportunity to date, given the clear benefits outsourcing has brought and can potentially bring to further organizational efficiencies. Nonetheless, with nearly all recommendations in the present report addressed to the executive heads, their prompt adoption and action on these recommendations should serve to considerably focus organization-wide actions and directions on outsourcing.

B. Enhancing internal capacity of contract managers

309. For the success of any outsourcing endeavour, enhanced coordination must necessarily be accompanied by the assurance of adequate internal capacity to engage effectively – be it in arriving at a decision to outsource, in vendor selection or in post-award contract management. However, interviewees revealed a range of deficiencies in the capacities of contract managers for outsourced services that included: the inability to describe what was needed and corresponding technical specifications due to a lack of domain knowledge and non-conduct of market research; a lack of awareness of technological innovations and the inability to grasp how such innovations could be factored into service requirements; a lack of familiarity with procurement rules and procedures; and the inability to link payment to performance.

310. Training and support become necessary to address these deficits, and responses to the JIU questionnaire indicate that, between 2012 and 2018, 17 organizations provided relevant
training for personnel engaged directly or indirectly in external outsourcing (see annex XI for the list of training sessions), of which only 783 required that personnel engaged in managing outsourced contracts be professionally certified. All training sessions were related to procurement actions, and none were specific to outsourcing per se. Apart from the four levels of procurement certification training developed by the Chartered Institute of Procurement and Supply, used by both procurement practitioners in various organizations and vendors, most other training sessions were organization-specific and available only to in-house personnel. UNOPS noted that it was working on developing an online procurement course for vendors, which would be available by the end of 2019.

311. **Emphasizing the need to enhance systematic guidance and support, contract managers called for expanded and enhanced training sessions on how to:**

- Conduct a cost-benefit analysis and undertake market research
- Conduct risk assessments and development risk mitigation measures
- Outsource or eliminate administrative transaction-based activities and redeploy resources for substantive delivery
- Develop (plan, write and validate) terms of reference, requests for proposal and scopes of work
- Develop data-driven key performance indicators and technical assessment criteria
- Undertake vendor selection, including testing and interviewing vendors
- Undertake vendor performance monitoring, including measuring and reporting on performance indicators
- Ensure adequate quality control when turnover time for delivery is limited
- Develop and manage relations with vendors
- Undertake knowledge management, retain institutional memory and share lessons learned from outsourcing relations
- Undertake rapid scalability of outsourced services in humanitarian crisis and conflict situations.

312. As a good practice, the corporate procurement office of OECD works with contract managers to understand what their needs are and helps them to translate those needs into solicitation documents. FAO maintains some highly technical staff in-house to ensure the adequate supervision of 50 contracts for outsourced infrastructure and facilities maintenance services, and to provide technical support upon request to field offices. The dedicated team for procurement services at the European Organization for Nuclear Research has been working for more than 15 years on outsourced services and has acquired a certain degree of expertise on laws applicable to contractors’ personnel, quality criteria used for best value for money adjudications, and best practices concerning contractual or technical follow-up on service contracts. Their experience helps them to advise and train responsible contract managers on best practices.

313. Given the clear needs for training and support highlighted by contract managers, the Inspector highlights the continued relevance of recommendation 584 of JIU/REP/2014/9, recommendation 285 of JIU/NOTE/2011/1 and recommendation 9 of JIU/REP/2002/7. The latter calls upon executive heads to budget adequate resources to train programme managers in organizational units significantly exposed to outsourcing on contract

83 UNDP, UNEP, UNFPA, UNHCR, UNICEF, UNOPS and UN-Women.
84 Recommendation 5. The executive heads of the United Nations system organizations should develop a specific contract-management training programme in their organizations that would include courses offered as a requirement for all persons managing contracts of a certain size, value and complexity.
85 Recommendation 2. Executive heads should develop a procurement training policy based on the assessment of the competencies needed in procurement, with a view to ensuring that staff dealing with procurement are well trained and provide highly professional services.
oversight. The Inspector is of the view that training sessions should be provided on all relevant aspects highlighted by contract managers vis-à-vis the outsourcing cycle, from the early stages of conducting cost-benefit analyses and risk assessments, through to the latter stages of managing vendor transition and sharing lessons learned.

C. Furthering inter-agency coordination on outsourcing

314. As highlighted earlier, the growing prevalence of collaborative outsourcing through joint tenders has led to considerable advantages in terms of stronger negotiating positions, volume discounts and favourable service conditions. Additionally, organizations have saved on time and costs associated with lengthy tendering processes by piggybacking off the long-term agreements concluded by other agencies. The most commonly used platforms to further inter-agency cooperation on outsourcing and facilitate joint tendering of and piggybacking on outsourced service contracts include the Procurement Network of the High-level Committee on Management at the global level and several duty station-specific platforms, such as the Common Procurement Activities Group in Geneva and the Common Procurement Team in Rome. More limited forums where specific aspects of outsourcing or specific outsourced services may be discussed include: the Legal Advisers’ Network of the United Nations System Chief Executives Board for Coordination (CEB) (on legal aspects of procurement); the Inter-Agency Network of Facilities Mangers (on outsourcing of services related to facilities management); and the Inter-Agency Security Management Network (on outsourcing of security-related services).

315. Highlighted instances of inter-agency collaboration on joint tendering and utilizing existing long-term agreements entered into by other organizations for outsourced services (“piggybacking”) include:

- **FAO (2017–2018).** Concluded 17 collaborative outsourcing contracts totalling $13.8 million and piggybacked on 29 long-term agreements totalling $41.9 million
- **ILO.** Collaboratively outsourced ICT, language training, mail, printing and travel services through the Common Procurement Activities Group and freight-forwarding through the Procurement Network of the High-level Committee on Management
- **UNESCO.** Collaboratively outsourced security services (with the United Nations), travel (with OECD), printing (with UNDP), interpretation (through the Procurement Network of the High-level Committee on Management) and paper purchase (with the Common Procurement Activities Group)
- **UNHCR (2018).** Shared 59 long-term agreements and piggybacked on 18 long-term agreements
- **UNICEF.** Concluded five collaborative outsourcing agreements with 12 organizations for freight-forwarding services
- **UN-Women.** Piggybacked on or shared a total 62 long-term agreements
- **WIPO.** Collaboratively outsourced language training (through the Common Procurement Activities Group) and cafeteria services (with ILO and WHO).

316. Almost all organizations rated the overall experience of collaborative outsourcing and piggybacking very positively, noting that the disadvantages of not being able to unilaterally establish terms and conditions were outweighed by the advantages of cost-effectiveness and speed. Through the common platforms, organizations have also benefited from learning about innovations in outsourcing approaches of other organizations, common guidance on how to manage coordinated tenders and the convenience of just following the rules of the lead agency in joint tendering.

317. Nonetheless, interviewees highlight a number of challenges and limitations to inter-agency coordination and collaboration on outsourcing activities, which include: organizations not systematically informing others of all long-term agreements concluded; organizations not adequately sharing knowledge on lessons learned, resulting in the repetition of the same errors; overly bureaucratic platforms for collaborative outsourcing that
disincentivize participation (e.g. for joint vehicle procurement, it took agencies in one country over a year to agree on specifications); inertia, internal resistance and unwillingness of entities to compromise on territorial rights through collaboration; overreliance on certain large vendors that make organizations hesitant to step outside their comfort zones and engage in collaborative competitive tendering; certain large organizations placing greater emphasis on consolidating outsourced services at the organization-wide level and less on collaborative inter-agency outsourcing, with efforts towards the former at times contradicting efforts towards the latter; collaborative outsourcing initiatives often being concentrated in locations where multiple organizations are headquartered, resulting in those based in other cities missing out on such efforts; and a lack of competent internal leadership to discuss best practices on outsourced services within inter-agency forums.

318. To further inter-agency coordination and collaboration on outsourcing, contract managers and procurement officials have made the following suggestions: further mutual recognition of rules and procedures for outsourcing as part of ongoing business innovation; develop, through inter-agency platforms, joint service standards and identify commonly used companies; share third party risk management frameworks, market surveys and vendor performance reports; push requisitioning offices to go beyond their own immediate needs and consider broader organizational needs; further discussion on the monitoring of vendor performance in inter-agency platforms; develop a repository of contracts, terms of reference and technical evaluation matrices indexed by, inter alia, country and type of service; and develop, through inter-agency platforms, a standardized methodology for the conduct of a cost-benefit analysis for commonly used outsourced services.

319. The Inspector welcomes the ongoing efforts of the Procurement Network of the High-level Committee on Management to address some of the aforementioned challenges and recommendations. Particularly noteworthy are the efforts of the Network’s Harmonization Working Group to further capacity-building on collaborative procurement and to develop standard templates for preparing solicitation documents (invitations to bid, requests for proposal and request for quotation), modalities for common procurement at the country level, and toolkits to facilitate the implementation of guidelines. The shift from each organization separately registering vendors to a common online system-wide registration platform – the United Nations Global Marketplace – is another welcome move to further inter-agency collaboration. While all the aforementioned initiatives are general to all procurement activities, they are nonetheless immediately beneficial to external outsourcing initiatives.

320. Specifically, on the topic of outsourcing, the findings of the present review should be carefully considered by the Procurement Network of the High-level Committee on Management’s Working Group on Innovations and Outsourcing, given its objective to identify and further innovative outsourcing, its inter-agency reach and its professional capacity (as it comprises procurement practitioners).

321. The findings of the present review should also feed into the ongoing discussions in the Common Procurement Activities Group on whether there may be ways to outsource certain purchasing functions. For instance, there are discussions on a pilot initiative to outsource the purchase of ICT accessories, using an information technology purchasing platform that selects supplies and obtains quotations on certain accessories. Other discussions have touched upon the outsourcing of a procurement strategy for the purchase of particular services, whereby the commercial service provider would do the work to identify what suppliers were offering in terms of services that matched the needs of United Nations system organizations, and whether those services could be purchased through a tender or through direct negotiation.

D. Reporting on and oversight of outsourcing practices

322. While reporting to legislative bodies on outsourcing activities should be a necessary tool for furthering transparency and accountability, there is no requirement in any organization to separately report on outsourcing when reporting on procurement. For instance, while UNICEF reports on all contracts on a yearly basis, providing information on procurement volumes, the types of goods and services procured, and vendor, source and
recipient country details, it does not collate and report separately on total outsourced services. This represents a missed opportunity, given that the necessary information on outsourced volumes can be readily disaggregated from the report and analysed for trends and particularities (see recommendation 2).

323. Most organizations interpret reporting on outsourcing as being circumscribed to vendors reporting back to contract managers on the specific services they are contracted to deliver, and contract managers preparing performance assessments of the vendor. However, organizations are not required to take these reports and performance assessments and perform a higher-level assessment on what has worked well and what could be further improved vis-à-vis outsourcing practices. Organizations noted that, while such reports could be prepared on demand, there had been no requests to do so.

324. In terms of formal oversight, all outsourced contracts contain clauses that impose an obligation upon the outsourced vendor to cooperate with duly authorized audits and investigations by the organization. Consequently, while all procurement activities are subject to regular audits by internal audit offices of organizations, and in certain instances by donors, no dedicated evaluations or audits have been conducted, either exclusively or primarily, on the topic of outsourcing. However, several audits have been conducted on outsourced services and other subject matters relevant to outsourcing, with the topics selected through a risk-based approach to identify areas where the achievement of organizational objectives may be at a higher risk.

325. Such audits of outsourced activities include assessing compliance with contractual arrangements, performance of the external contractor and, if relevant, the cost-effectiveness of the outsourcing arrangement. Topics covered have included, inter alia: quality assurance (UNAIDS); procurement services (UNAIDS, UNFPA and WIPO); the inventory management process, user provisioning and portal access, website governance and condom procurement (UNFPA); third party monitoring, financial services, cash-based transfers, aviation services, travel management, web hosting, security of cloud-based services and payroll processing (WFP); and translation services (WIPO).

326. Some useful recommendations emanating from audit reports highlighted by organizations include involving procurement offices in high-level planning to determine sourcing options, developing comprehensive outsourcing strategies for ICT services, better managing the risk profile of entities the organization works with, and ensuring supervision by mid- to senior-level professional staff of high risk outsourced services in field offices (e.g. fuel acquisition).

327. In terms of investigations, several large and medium-sized organizations noted that, in instances where vendors were involved, or suspected to be involved, in proscribed practices, such cases were referred to the organization’s vendor review committee – an advisory body providing review and recommendations regarding potential remedial measures to be applied. In cases where allegations of fraud and misconduct are directly against an organization, an investigation can be conducted by its oversight office. The investigation

---

86 Audit report number 14/969, on quality assurance at UNAIDS, April 2015.
87 Audit report number 10/848, on procurement at UNAIDS headquarters, April 2011. UNFPA Audit report number PSB-101, on governance arrangements and the design of internal controls over the procurement process, 31 December 2015.
88 Audit report number FB-102, on the inventory management process, 25 June 2015.
89 Audit number OED-117, on the user provisioning and portal access authentication processes, 18 June 2014.
90 Audit number IA/2017-10, on the UNFPA website governance, 20 November 2017.
91 Audit number IA/2016-06, on the UNFPA condom procurement process, 16 September 2016.
92 Internal audit report AR/16/09, on third party monitoring in WFP, July 2016.
93 Audit conducted by KPMG, report reference R(F)/2019/02/082/1U036/mb/kw, 18 February 2019.
94 Internal audit report AR/17/01, on financial service providers for cash-based transfers, January 2017. Internal audit report AR/17/03, on WFP cash-based transfer retailer implementation in Jordan and Lebanon January 2017.
95 Internal audit report AR/13/07, on the WFP Aviation Service and Aviation Safety Unit, September 2013.
96 Internal audit report AR/18/07, on duty travel management at WFP headquarters, June 2018.
focuses on the allegations of fraudulent practices by vendors within the fulfilment of their contractual agreements with the organization. Should an investigation be substantiated, the oversight office issues a report recommending financial recovery and, where appropriate, debarment.

328. In practice, most organizations reported between zero and a few cases of outsourcing-related allegations, as noted below:

- **FAO** (since 2012). Fourteen cases total concerning fraud, collusion, corruption, conflict of interest, embezzlement and violation of the United Nations Supplier Code of Conduct
- **United Nations** (since 2015). Twenty-one cases total concerning procurement irregularities, fraud, irregularities in contract awarding, negligence during project audits, non-cooperation by the vendor in investigations, misconduct by vendor personnel and breach of contractual terms and conditions
- **UNESCO** (since 2012). Two cases total concerning embezzlement, conflict of interest and altercations between vendor personnel and staff
- **UNFPA** (since 2017). Four cases total (allegations not specified)
- **UNICEF** (2012–2018). Nine cases total (allegations not specified)
- **WFP** (2012–2018). Cases (numbers unspecified) concerning fraud, corruption, and breach of contractual obligations and collusion regarding medical insurance, security, monitoring, engineering, travel and facility management services
- **WIPO**. An average of two allegations per year concerning procurement-related irregularities
- **WMO** (since 2017). Two investigated cases concerning procurement or contract management process manipulation.

329. The investigations office of one large organization attributed such low numbers of allegations to the fact that, unless the prohibited activity would result in direct benefits in the range of millions of dollars, the risk faced by well-compensated international civil servants of potentially losing their jobs by engaging in prohibited conduct with vendors far outweighed any potential illicit benefits they would derive from manipulating small or mid-sized procurement volumes.

330. As a good practice, the WFP oversight office conducts proactive integrity reviews based on systematic fraud risk assessment of high-risk business processes or operations. The objective of the review is to identify fraud risks and provide appropriate risk mitigation measures at an early stage, thus complementing the traditional channel of acting only upon the receipt of complaints. Another good practice comes from ITU, where, for outsourced ICT services, the organization requires vendors to provide attestations of internal control as part of the contractual agreements.

331. Given the considerable volume, scope and diversity of outsourcing activities in United Nations system organizations, and the risk that the lack of adequate oversight can result in inefficiencies and opportunities going undetected, the Inspector urges the oversight offices of United Nations system organizations – with due regard for their mandates, independence and charters – to periodically review organizational-level risks associated with outsourcing to commercial service providers and report on their findings to the executive heads and the legislative bodies.
IX. Concluding remarks

332. The fact that the outsourcing of services by organizations of the United Nations system has not received adequate attention over the past 15 years by the legislative bodies or the executive heads perhaps contains in itself a strong message. The findings and conclusions of the present review, drawn from the evidence and data presented, demonstrate how they could have benefited considerably, had greater attention been paid to the formulation of guidelines and approaches, systematic data collection, monitoring and reporting, internal and external coordination and enhanced oversight.

333. In the present review, the Inspector makes a compelling case for taking a more holistic view than hitherto taken of the outsourcing of services by different business process owners within an organization, by effecting improvements and by strengthening internal controls and the governance, accountability and oversight framework of the management and administration of outsourcing policies and practices. Taking together the formal and informal recommendations contained in the present review, any entity can devise a policy, framework, guidelines or approaches to inform its outsourcing policy and practices.

334. Likewise, the Inspector also calls for enhanced cooperation and coordination both within and among organizations, in order to strengthen coherence and improve learning and the exchange of experiences, good practices and lessons learned, including through organizational learning and the setting up of a community of practice.

335. The Inspector does not advocate massive new investments or the creation of elaborate new structures. Certain necessary measures (cost-benefit analysis, vendor risk assessment, standard operating procedures and due diligence measures), when undertaken by organizations, have been achieved without any major costs. What is required, however, is a change in attitudes and mindset – a reorientation of approach, or the acquisition of a new mental lens or prism through which to view outsourcing. This would involve generating awareness and making the personnel concerned more conscious of the need to be cognizant of the challenges, risks, opportunities, benefits and threats posed by outsourcing.

336. The Inspector takes care not to be over-prescriptive in the review. However, he points out the advantages of sharing information and experiences so that entities do not have to constantly reinvent the wheel, for example when drawing up the terms of reference or statement of work or when inducting a new service provider.

337. Cost implications cannot, and should not, be allowed to become excuses and pretexts for inaction. While the lack of awareness and information deficits need to be tackled, raising the bogey of potential financial burden is very often an excuse for institutional inertia. As is well known, change and strategic thinking are the easiest things to advocate but among the hardest to put into practice.

338. The Inspector proposes a tool-kit for use by entities. Most of the measures suggested are relatively simple but warrant sound, crystallized common sense, and many can be undertaken as part of organizational management reform processes. The tool-kit comprises measures for strengthening internal control frameworks, business intelligence and market surveys, assessment of current and future needs of any service outsourced, due diligence measures, standard operating procedures, cost-benefit analysis, vendor risk assessment, a mitigation and management framework, training and oversight.

339. Even the modest investments that may be warranted will yield considerable dividends in the long term, not only leading to enhanced efficiency and effectiveness, but also strengthening internal control frameworks, internal capacity, and coherence and coordination across the system.

340. Member States represented in the legislative organs and governing bodies have an important responsibility to demand organizational compliance with the suggestions and recommendations contained in the review. The Inspector appeals to them to treat the review as a wake-up call and utilize it by helping to launch a system-wide process for strengthening the governance, accountability and oversight of outsourcing policies and practices, in order to help themselves to discharge their oversight responsibilities in this area.
## Annex I

### Definitions of outsourcing

<table>
<thead>
<tr>
<th>Entity</th>
<th>Definition of outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BRAC University</strong></td>
<td>Outsourcing is a short form of “outside resourcing”. “Outsourcing can be described as the contracting out of the company’s major functions and activities to an external service or goods provider. It contains the contraction of a business procedure to another group of people which is also known as Business Process Outsourcing. In other words, transferring various operations to outside suppliers rather than completing them internally. Outsourcing can be done in both domestic and foreign markets and always involves a third party”.</td>
</tr>
<tr>
<td><strong>Committee of European Banking Supervisors</strong></td>
<td>“Outsourcing: an authorized entity’s use of a third party (the “outsourcing service provider”) to perform activities that would normally be undertaken by the authorized entity, now or in the future. The supplier may itself be an authorized or unauthorized entity”.</td>
</tr>
<tr>
<td><strong>United Kingdom of Great Britain and Northern Ireland Cabinet Office – Government Commercial Function</strong></td>
<td>“Outsourced service” means any public service obtained by contract from an outside supplier. “Complex outsourcing” refers to any of the following: first generation outsourcing; significant transformation of service delivery; obtaining services from markets with limited competition or where Government is the only customer; and/or any service obtained by contract that is considered novel or contentious.</td>
</tr>
<tr>
<td><strong>Deloitte</strong></td>
<td>“In its simplest term, outsourcing is the contracting out of a business function to an external supplier, involving the transfer of people, processes and assets; this contracting out can be undertaken at either an on-shore or off-shore location, and to one (single-sourced) or more (multi-sourced) outsourcing partners”.</td>
</tr>
<tr>
<td><strong>European Banking Authority</strong></td>
<td>“Outsourcing means an arrangement of any form between an institution, a payment institution or an electronic money institution and a service provider by which that service provider performs a process, a service or an activity, or parts thereof that would otherwise be undertaken by the institution, the payment institutions or the electronic money institution itself”.</td>
</tr>
<tr>
<td><strong>GEPL Capital</strong></td>
<td>“Outsourcing means the use of one or more than one “Third Party”, either within or outside the group, by a Registered Intermediary to perform the activities associated with services which the intermediary offers”.</td>
</tr>
<tr>
<td><strong>International Chamber of Commerce</strong></td>
<td>“Outsourcing is an arrangement between an Outsourcing Party and a Service Provider by which the Service Provider performs a process, a service or an activity, either directly or by using subcontractors, which would otherwise be required to be performed internally by the Outsourcing Party”.</td>
</tr>
<tr>
<td><strong>International Conference on Strategic Innovative Marketing</strong></td>
<td>“Outsourcing is the process of creating and managing a contractual relationship with an external vendor for the supply of skills that used to be provided by the firm’s internal services in the past”.</td>
</tr>
<tr>
<td><strong>ISO 27001 Security</strong></td>
<td>“Outsourcing involves transferring responsibility for carrying out an activity (previously carried out internally) to an outsourcer for an agreed charge. The outsourcer provides services to the customer based on a mutually agreed service level, normally defined in a formal contract”.</td>
</tr>
<tr>
<td>Entity</td>
<td>Definition of outsourcing</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Jersey Financial Services Commission</td>
<td>“Outsourcing means an arrangement of any form between a Registered Person and a Service Provider by which the Service Provider performs any activity that would otherwise be undertaken by the Registered Person, where a Service Provider’s failure to perform or inadequate performance of such activity would materially impair the continuing compliance of the Registered Person’s Regulated Activity, with the requirements of the Regulatory Laws”.</td>
</tr>
<tr>
<td>Joint Forum of the Basel Committee on Banking Supervision</td>
<td>“Outsourcing is defined as a regulated entity’s use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the regulated entity, now or in the future”.</td>
</tr>
<tr>
<td>MSM Loss Management</td>
<td>“Outsourcing involves entering into an agreement with another party (including a related body corporate) to perform, on a continuing basis, a business activity which currently is, or could be, undertaken by ourselves”.</td>
</tr>
<tr>
<td>Technical Committee of the International Organization of Securities Commissions</td>
<td>“Many markets and their market operators use third party service providers to perform processes, services or activities (regulated or not) that would otherwise be undertaken by the markets or market operators themselves – such arrangements are referred to as outsourcing”.</td>
</tr>
<tr>
<td>Pru Life UK</td>
<td>“Outsourcing occurs when an operational area retains ultimate accountability for the delivery of service but an outsource service provider is engaged to manage and perform the same”.</td>
</tr>
<tr>
<td>Reserve Bank of New Zealand</td>
<td>“Outsourcing means a bank’s use, now and in the future, of a third party (either a related party within the banking group or third party that is external to the banking group) to perform services or functions on a regular or continuing basis that could be undertaken by the bank; … but it does not include a bank’s use of any services or functions on the white list”.</td>
</tr>
</tbody>
</table>
| University of South Africa                                           | “Outsourcing is the process of purchasing goods or services on specification from an external supplier that were previously produced in house”.  
“Outsourcing involves the sourcing of goods and services previously produced internally within the sourcing organization from external suppliers”.  
“Outsourcing can involve the transfer of an entire business function to a supplier. Alternatively, outsourcing may lead to the transfer of some activities associated with the function whilst some are kept in-house.” |

Source: JIU desk research.
### Annex II

**Mandates, legislation, policy, rules and regulations, strategic framework provisions, guidelines and procedures**

<table>
<thead>
<tr>
<th>Organization</th>
<th>Mandate</th>
<th>Legislative authority required</th>
<th>Written policy</th>
<th>Rules and regulations</th>
<th>Specific provisions in strategic framework</th>
<th>Written guidelines</th>
<th>Standard operating procedures</th>
<th>Uniform outsourcing procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAO</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>IAEA</td>
<td>NR</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>ICAO</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
</tr>
<tr>
<td>ILO</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>IMO</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>ITU</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>United Nations</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNAIDS</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNDP</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNEP</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNESCO</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNFPA</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>NR</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNHCR</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNICEF</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNIDO</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNOPS</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNRWA</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UN-Women</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNWTO</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UPU</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>NR</td>
<td>N</td>
<td>NR</td>
<td>Y</td>
</tr>
<tr>
<td>WFP</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>WIPO</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>WHO</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>WMO</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

*Source: Questionnaire responses from JIU participating organizations.*

*Abbreviations: Y, Yes; N, No; NR, No Response.*
## Annex II (continued)

### Outsourcing-related documentation referenced by organizations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAO</td>
<td>FAO Basic Texts (para. 10.5).</td>
</tr>
<tr>
<td>UNAIDS</td>
<td>Procurement manual – commercial contracts (06.03 and 10.03); Guidance Note FMA/2012/4A.</td>
</tr>
<tr>
<td>UNDP</td>
<td>Financial Rules and Regulations 21.01; Long-Term Agreements (version 4, 2016); Long-Term Agreement Policy Guidance Note (2012); Contract Management Policy (2018); Sourcing and Market Research (2012); Transactional Procurement Strategy and Planning (2009); Award and Contract Management; Contract Management Module (Atlas); andProcurement Authority and Increased Delegated Procurement Authority.</td>
</tr>
<tr>
<td>UNESCO</td>
<td>Rapport d’audit sur les achats de l’UNESCO (UNESCO-2017-14); External audit report on UNESCO procurement (206 EX/29 (2019)).</td>
</tr>
<tr>
<td>UNHCR</td>
<td>UNHCR Procurement Manual (chap. 8); Internal standard operating procedures for new formal competitive bidding procedures required by requesting units within the Headquarters Procurement Section (2017).</td>
</tr>
<tr>
<td>UNIDO</td>
<td>UNIDO Procurement Manual.</td>
</tr>
<tr>
<td>UNOPS</td>
<td>UNOPS Procurement Manual (revision 6, 2017); Procurement Procedures (OLPG.2017.01); Financial Regulations and Rules (EOD.ED.2017.04); Procurement Framework (OD.EO.2017.01); and Procurement Procedures (OLPG.2017.01).</td>
</tr>
<tr>
<td>UN-Women</td>
<td>Contract and Procurement Management Policy, Section 6.3 (2015); UN-Women Financial Regulations and Rules – Section J Procurement Procedures; Long-Term Agreement Template; Request for Proposals Guideline; and Invitation to Bid Guideline.</td>
</tr>
<tr>
<td>WIPO</td>
<td>Financial Regulations and Rules (chap. 5C – Procurement, Regulation 5.11); General Principles and Basic Rules of Procurement (Office Instruction No. 35/2017); and Procurement Manual (2018).</td>
</tr>
<tr>
<td>WFP</td>
<td>WFP Administration Manual (chapter on Location Dependent Administrative Services) (2019).</td>
</tr>
<tr>
<td>WHO</td>
<td>WHO e-manual (rules and procedures on procurement).</td>
</tr>
<tr>
<td>WMO</td>
<td>WMO Standing Instructions on Procurement.</td>
</tr>
</tbody>
</table>

*Source: Questionnaire responses from JIU participating organizations.*
### Annex III

#### Total expenditure on outsourcing by organization

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FAO</strong> (total volume of outsourcing)</td>
<td>46 374 697</td>
<td>135 493 232</td>
<td>129 527 805</td>
<td>152 207 838</td>
<td>134 217 503</td>
<td>250 405 709</td>
<td>165 779 761</td>
<td>1 014 006 545</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>192.2</td>
<td>-4.4</td>
<td>17.5</td>
<td>-11.8</td>
<td>86.6</td>
<td>-33.8</td>
<td>257.5 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>86 529 000</td>
<td>320 122 000</td>
<td>350 713 000</td>
<td>343 503 640</td>
<td>317 003 290</td>
<td>371 400 000</td>
<td>376 300 000</td>
<td>2 165 570 930</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>53.6</td>
<td>42.3</td>
<td>36.9</td>
<td>44.3</td>
<td>42.3</td>
<td>67.4</td>
<td>44.1</td>
<td>46.8 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>1 343 397 572</td>
<td>1 379 994 161</td>
<td>1 245 513 130</td>
<td>1 219 235 388</td>
<td>1 201 818 140</td>
<td>1 531 753 306</td>
<td>1 454 768 694</td>
<td>9 376 480 391</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>3.5</td>
<td>9.8</td>
<td>10.4</td>
<td>12.5</td>
<td>11.2</td>
<td>16.3</td>
<td>11.4</td>
<td>10.8 (2012–2018)</td>
</tr>
<tr>
<td><strong>IAEA</strong> (total volume of outsourcing)</td>
<td>2 728 741</td>
<td>3 057 596</td>
<td>4 351 383</td>
<td>2 540 270</td>
<td>4 337 241</td>
<td>4 382 470</td>
<td>5 740 855</td>
<td>27 138 556</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>12.1</td>
<td>42.3</td>
<td>-41.6</td>
<td>70.7</td>
<td>1</td>
<td>31</td>
<td>110.4 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>166 746 000</td>
<td>210 307 000</td>
<td>180 061 000</td>
<td>140 440 000</td>
<td>147 309 370</td>
<td>219 800 000</td>
<td>167 300 000</td>
<td>1 231 963 370</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>1.6</td>
<td>1.5</td>
<td>2.4</td>
<td>1.8</td>
<td>2.9</td>
<td>2</td>
<td>3.4</td>
<td>2.2 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>591 755 992</td>
<td>630 242 601</td>
<td>580 516 028</td>
<td>570 543 764</td>
<td>549 644 351</td>
<td>642 585 424</td>
<td>641 027 397</td>
<td>4 206 315 557</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>0.5</td>
<td>0.5</td>
<td>0.7</td>
<td>0.4</td>
<td>0.8</td>
<td>0.7</td>
<td>0.9</td>
<td>0.6 (2012–2018)</td>
</tr>
<tr>
<td><strong>ICAO</strong> (total volume of outsourcing)</td>
<td>3 038 947</td>
<td>2 017 710</td>
<td>1 777 977</td>
<td>2 074 890</td>
<td>2 166 900</td>
<td>2 871 890</td>
<td>2 447 609</td>
<td>16 395 923</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-33.6</td>
<td>-11.9</td>
<td>16.7</td>
<td>4.4</td>
<td>32.5</td>
<td>-14.8</td>
<td>-19.5 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>88 895 472</td>
<td>90 385 859</td>
<td>72 600 918</td>
<td>85 086 300</td>
<td>73 118 634</td>
<td>93 452 074</td>
<td>76 752 369</td>
<td>580 291 626</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>3.4</td>
<td>2.2</td>
<td>2.4</td>
<td>2.4</td>
<td>3</td>
<td>3.1</td>
<td>3.2</td>
<td>2.8 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>220 499 361</td>
<td>231 416 934</td>
<td>222 196 722</td>
<td>194 803 848</td>
<td>192 346 640</td>
<td>215 225 968</td>
<td>229 964 201</td>
<td>1 506 453 674</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>1.4</td>
<td>0.9</td>
<td>0.8</td>
<td>1.1</td>
<td>1.1</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1 (2012–2018)</td>
</tr>
<tr>
<td><strong>ILO</strong> (total volume of outsourcing)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24 863 301</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>68.2 (2016 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>594 877 830</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.2</td>
<td>3.1</td>
<td>5.2</td>
<td>4.2 (2016–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>674 937 000</td>
<td>640 794 735</td>
<td>1 249 652 154</td>
<td>2 565 383 889</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1.1</td>
<td>0.9</td>
<td>1 (2016–2018)</td>
</tr>
<tr>
<td><strong>IMO (total volume of outsourcing)</strong></td>
<td>4 544 822</td>
<td>5 128 652</td>
<td>4 888 595</td>
<td>4 926 954</td>
<td>4 909 544</td>
<td>5 086 806</td>
<td>4 017 898</td>
<td>33 503 271</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>12.8</td>
<td>-7.1</td>
<td>0.8</td>
<td>-0.4</td>
<td>3.6</td>
<td>-21</td>
<td>-11.6 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>-</td>
<td>16 173 000</td>
<td>16 109 010</td>
<td>15 391 140</td>
<td>16 400 000</td>
<td>8 700 000</td>
<td>72 773 150</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>-</td>
<td>30.2</td>
<td>30.6</td>
<td>31.9</td>
<td>31</td>
<td>46.2</td>
<td>32.7 (2014–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>80 008 588</td>
<td>78 688 695</td>
<td>69 895 725</td>
<td>68 054 803</td>
<td>57 821 457</td>
<td>71 238 649</td>
<td>63 760 456</td>
<td>489 468 373</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>5.7</td>
<td>6.5</td>
<td>7</td>
<td>7.2</td>
<td>8.5</td>
<td>7.1</td>
<td>6.3</td>
<td>6.8 (2012–2018)</td>
</tr>
<tr>
<td><strong>ITU (total volume of outsourcing)</strong></td>
<td>1 775 739</td>
<td>1 466 011</td>
<td>14 574 200</td>
<td>17 853 963</td>
<td>19 071 568</td>
<td>22 513 413</td>
<td>23 441 378</td>
<td>100 696 273</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-17.4</td>
<td>894.1</td>
<td>22.5</td>
<td>6.8</td>
<td>18</td>
<td>4.1</td>
<td>1 220.1 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>31 442 000</td>
<td>54 586 000</td>
<td>48 853 000</td>
<td>34 017 000</td>
<td>47 635 260</td>
<td>47 700 000</td>
<td>46 600 000</td>
<td>310 833 260</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>5.6</td>
<td>2.7</td>
<td>29.8</td>
<td>52.5</td>
<td>40</td>
<td>47.2</td>
<td>50.3</td>
<td>32.4 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>215 242 739</td>
<td>218 892 602</td>
<td>188 090 958</td>
<td>191 833 044</td>
<td>183 604 878</td>
<td>200 015 337</td>
<td>186 793 313</td>
<td>1 384 472 871</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>0.8</td>
<td>0.7</td>
<td>7.7</td>
<td>9.3</td>
<td>10.4</td>
<td>11.2</td>
<td>12.5</td>
<td>7.3 (2012–2018)</td>
</tr>
<tr>
<td><strong>United Nations (total volume of outsourcing)</strong></td>
<td>1 041 349 921</td>
<td>894 423 806</td>
<td>775 012 580</td>
<td>941 526 662</td>
<td>837 517 355</td>
<td>836 355 759</td>
<td>880 063 298</td>
<td>6 206 249 381</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-14.1</td>
<td>-13.4</td>
<td>21.5</td>
<td>-11</td>
<td>-0.1</td>
<td>5.2</td>
<td>-15.5 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>2 871 727 727</td>
<td>2 997 081 322</td>
<td>3 207 162 480</td>
<td>3 089 001 683</td>
<td>3 233 214 771</td>
<td>3 069 897 516</td>
<td>3 026 421 511</td>
<td>21 494 507 010</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>36.3</td>
<td>29.8</td>
<td>24.2</td>
<td>30.5</td>
<td>25.9</td>
<td>27.2</td>
<td>29.1</td>
<td>28.9 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>12 787 253 000</td>
<td>12 661 187 000</td>
<td>14 397 840 000</td>
<td>14 372 299 000</td>
<td>14 594 524 000</td>
<td>14 049 804 000</td>
<td>14 224 132 000</td>
<td>97 087 039 000</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>8.1</td>
<td>7.1</td>
<td>5.4</td>
<td>6.6</td>
<td>5.7</td>
<td>6</td>
<td>6.2</td>
<td>6.4 (2012–2018)</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>UNAIDS</strong> (total volume of outsourcing)</td>
<td>16 973 603</td>
<td>20 459 278</td>
<td>25 450 355</td>
<td>17 858 563</td>
<td>17 208 595</td>
<td>12 304 523</td>
<td>19 319 565</td>
<td>129 574 482</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>20.5</td>
<td>24.4</td>
<td>-29.8</td>
<td>-3.6</td>
<td>-28.5</td>
<td>57</td>
<td>13.8 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>38 217 000</td>
<td>38 399 000</td>
<td>41 286 160</td>
<td>34 022 440</td>
<td>49 400 000</td>
<td>28 200 000</td>
<td>229 524 600</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>53.5</td>
<td>66.3</td>
<td>43.3</td>
<td>50.6</td>
<td>24.9</td>
<td>68.5</td>
<td>49.1 (2013–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>279 913 491</td>
<td>295 195 415</td>
<td>295 725 197</td>
<td>293 936 807</td>
<td>181 750 055</td>
<td>173 371 100</td>
<td>184 336 897</td>
<td>1 704 228 962</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>6.1</td>
<td>6.9</td>
<td>8.6</td>
<td>6.1</td>
<td>9.5</td>
<td>7.1</td>
<td>10.5</td>
<td>7.6 (2012–2018)</td>
</tr>
<tr>
<td><strong>UNDP</strong> (total volume of outsourcing)</td>
<td>253 437 323</td>
<td>270 436 596</td>
<td>215 007 818</td>
<td>326 950 114</td>
<td>396 591 004</td>
<td>466 653 861</td>
<td>686 447 533</td>
<td>2 615 524 249</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>7</td>
<td>-20.5</td>
<td>52</td>
<td>21.3</td>
<td>17.7</td>
<td>47.1</td>
<td>170.9 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>3 173 916 000</td>
<td>2 628 855 000</td>
<td>2 285 487 000</td>
<td>2 736 809 380</td>
<td>1 697 466 050</td>
<td>2 117 000 000</td>
<td>2 146 500 000</td>
<td>16 786 033 430</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>8</td>
<td>10.3</td>
<td>9.4</td>
<td>12</td>
<td>23.4</td>
<td>22</td>
<td>32</td>
<td>15.6 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>5 244 435 060</td>
<td>5 244 451 435</td>
<td>5 314 299 948</td>
<td>5 057 413 898</td>
<td>4 659 525 828</td>
<td>5 094 775 419</td>
<td>5 096 825 461</td>
<td>35 711 727 049</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>4.8</td>
<td>5.2</td>
<td>4</td>
<td>6.5</td>
<td>8.5</td>
<td>9.2</td>
<td>13.5</td>
<td>7.3 (2012–2018)</td>
</tr>
<tr>
<td><strong>UNESCO</strong> (total volume of outsourcing)</td>
<td>24 739 856</td>
<td>29 088 280</td>
<td>30 149 676</td>
<td>36 470 200</td>
<td>32 943 668</td>
<td>40 165 423</td>
<td>40 566 879</td>
<td>234 123 982</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>17.6</td>
<td>3.6</td>
<td>21</td>
<td>-9.7</td>
<td>21.9</td>
<td>1</td>
<td>64 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>121 061 000</td>
<td>105 397 000</td>
<td>123 282 000</td>
<td>134 515 010</td>
<td>122 839 420</td>
<td>129 000 000</td>
<td>112 600 000</td>
<td>848 694 430</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>20.4</td>
<td>27.6</td>
<td>24.5</td>
<td>27.1</td>
<td>26.8</td>
<td>31.1</td>
<td>36</td>
<td>27.6 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>806 166 488</td>
<td>813 871 576</td>
<td>802 165 655</td>
<td>762 491 041</td>
<td>663 683 714</td>
<td>688 169 870</td>
<td>682 012 889</td>
<td>5 218 561 233</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>3.1</td>
<td>3.6</td>
<td>3.8</td>
<td>4.8</td>
<td>5.0</td>
<td>5.8</td>
<td>5.9</td>
<td>4.5 (2012–2018)</td>
</tr>
<tr>
<td><strong>UNFPA</strong> (total volume of outsourcing)</td>
<td>3 792 624</td>
<td>4 126 063</td>
<td>4 172 051</td>
<td>5 082 757</td>
<td>3 854 089</td>
<td>4 267 020</td>
<td>4 186 254</td>
<td>29 480 858</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>8.8</td>
<td>1.1</td>
<td>21.8</td>
<td>-24.2</td>
<td>10.7</td>
<td>-1.9</td>
<td>10.4 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>335 217 000</td>
<td>365 866 000</td>
<td>357 124 000</td>
<td>343 352 200</td>
<td>281 957 150</td>
<td>316 800 000</td>
<td>400 100 000</td>
<td>2 400 416 350</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
<td>1</td>
<td>1.2 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>810 710 695</td>
<td>913 340 299</td>
<td>1 002 115 396</td>
<td>977 375 687</td>
<td>922 517 792</td>
<td>926 869 317</td>
<td>1 086 021 580</td>
<td>6 638 950 766</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td>Outsourcing as percentage of total org. exp.</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>UNHCR (total volume of outsourcing)</strong></td>
<td>169 906 446</td>
<td>233 980 728</td>
<td>273 341 822</td>
<td>257 379 710</td>
<td>278 332 308</td>
<td>325 907 274</td>
<td>315 195 596</td>
<td>1 854 043 884</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>38</td>
<td>16.8</td>
<td>-5.8</td>
<td>8</td>
<td>17</td>
<td>-3.3</td>
<td>85.5 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>562 070 000</td>
<td>952 635 000</td>
<td>1 044 741 000</td>
<td>981 602 300</td>
<td>1 179 760 670</td>
<td>1 239 400 000</td>
<td>1 100 700 000</td>
<td>7 060 908 970</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>30.2</td>
<td>24.6</td>
<td>26.2</td>
<td>26.2</td>
<td>23.6</td>
<td>26.3</td>
<td>28.6</td>
<td>26.3 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>2 305 929 272</td>
<td>2 704 187 100</td>
<td>3 360 740 751</td>
<td>3 278 871 762</td>
<td>3 846 924 119</td>
<td>3 942 839 988</td>
<td>4 063 979 955</td>
<td>23 503 472 947</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>7.4</td>
<td>8.7</td>
<td>8.1</td>
<td>7.8</td>
<td>7.2</td>
<td>8.3</td>
<td>7.8</td>
<td>7.9 (2012–2018)</td>
</tr>
<tr>
<td><strong>UNICEF (total volume of outsourcing)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>334 461 187</td>
<td>546 911 067</td>
<td>471 834 637</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>63.5</td>
<td>-13.7</td>
<td>-13.7 (2016 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 485 192 990</td>
<td>3 428 700 000</td>
<td>3 486 000 000</td>
<td>10 399 892 990</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.6</td>
<td>16</td>
<td>13.5</td>
<td>13 (2016–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5 427 255 034</td>
<td>5 843 812 313</td>
<td>5 918 587 378</td>
<td>17 189 654 725</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6.2</td>
<td>9.4</td>
<td>8</td>
<td>7.9 (2016–2018)</td>
</tr>
<tr>
<td><strong>UNIDO (total volume of outsourcing)</strong></td>
<td>-</td>
<td>5 970 007</td>
<td>12 708 865</td>
<td>10 101 192</td>
<td>8 025 847</td>
<td>11 565 911</td>
<td>9 620 788</td>
<td>57 992 609</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-</td>
<td>112.9</td>
<td>-20.5</td>
<td>-20.5</td>
<td>44.1</td>
<td>-16.8</td>
<td>-24.3 (2013 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>85 356 000</td>
<td>102 309 000</td>
<td>98 361 210</td>
<td>123 336 400</td>
<td>178 400 000</td>
<td>161 600 000</td>
<td>749 362 610</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>7</td>
<td>12.4</td>
<td>10.3</td>
<td>6.5</td>
<td>6.5</td>
<td>6</td>
<td>7.7 (2013–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>330 774 686</td>
<td>232 720 432</td>
<td>244 140 762</td>
<td>235 511 425</td>
<td>299 180 198</td>
<td>279 463 696</td>
<td>1 621 791 199</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>1.8</td>
<td>5.5</td>
<td>4.1</td>
<td>3.4</td>
<td>3.9</td>
<td>3.4</td>
<td>3.6 (2013–2018)</td>
</tr>
<tr>
<td><strong>UNOPS (total volume of outsourcing)</strong></td>
<td>-</td>
<td>81 919 239</td>
<td>55532, 258</td>
<td>70 993 238</td>
<td>79 177 402</td>
<td>136 588 085</td>
<td>-</td>
<td>424 210 222</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-1.1</td>
<td>-32.2</td>
<td>27.8</td>
<td>11.5</td>
<td>72.5</td>
<td>-</td>
<td>66.7 (2013 and 2017)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>451 195 000</td>
<td>405 172 000</td>
<td>364 129 000</td>
<td>447 319 000</td>
<td>495 082 000</td>
<td>-</td>
<td>2 162 897 000</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>18.2</td>
<td>13.7</td>
<td>19.5</td>
<td>17.7</td>
<td>27.6</td>
<td>-</td>
<td>19.6 (2013–2017)</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>703 639 000</td>
<td>666 675 000</td>
<td>671 526 000</td>
<td>769 873 000</td>
<td>815 855 396</td>
<td>-</td>
<td>3 627 568 396</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>11.6</td>
<td>8.3</td>
<td>10.6</td>
<td>10.3</td>
<td>16.7</td>
<td>-</td>
<td>11.7 (2013–2017)</td>
</tr>
<tr>
<td>UNRWA (total volume of outsourcing)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17 889 473</td>
<td>13 967 937</td>
<td>11 243 856</td>
<td>10 108 972</td>
<td>53 210 238</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-21.9</td>
<td>-19.5</td>
<td>-10.1</td>
<td>-27.6 (2015 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>323 956 209</td>
<td>288 560 864</td>
<td>243 704 589</td>
<td>224 882 532</td>
<td>1 081 104 194</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.5</td>
<td>4.8</td>
<td>4.6</td>
<td>4.5</td>
<td>4.9 (2015–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 333 774 841</td>
<td>1 316 762 306</td>
<td>1 310 443 631</td>
<td>1 190 222 772</td>
<td>5 151 203 550</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.3</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
<td>1 (2015–2018)</td>
</tr>
<tr>
<td>UN-Women (total volume of outsourcing)</td>
<td>-</td>
<td>60 011</td>
<td>2 585 345</td>
<td>3 651 826</td>
<td>5 383 578</td>
<td>5 131 916</td>
<td>7 372 664</td>
<td>24 185 340</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-</td>
<td>4 208.1</td>
<td>41.3</td>
<td>47.4</td>
<td>-4.7</td>
<td>43.7</td>
<td>12 185.6 (2013 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>76 328 000</td>
<td>90 299 000</td>
<td>108 651 690</td>
<td>125 937 380</td>
<td>104 200 000</td>
<td>127 500 000</td>
<td>632 916 070</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>0.1</td>
<td>2.9</td>
<td>3.4</td>
<td>4.3</td>
<td>4.9</td>
<td>5.8</td>
<td>3.8 (2013–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>264 104 992</td>
<td>270 537 896</td>
<td>314 974 000</td>
<td>339 801 000</td>
<td>338 615 000</td>
<td>380 260 000</td>
<td>1 908 292 888</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>0.02</td>
<td>1</td>
<td>1.2</td>
<td>1.6</td>
<td>1.5</td>
<td>1.9</td>
<td>1.3 (2013–2018)</td>
</tr>
<tr>
<td>UNWTO (total volume of outsourcing)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-27.1 (2017 and 2018)</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-27.1</td>
<td>-27.1 (2017 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-2 924 464</td>
<td>2 315 230</td>
<td>5 239 694</td>
<td>25.3 (2017–2018)</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>26.2</td>
<td>24.1</td>
<td>28.7 (2017–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-27 201 861</td>
<td>21 123 148</td>
<td>48 325 009</td>
<td>2.7 (2017–2018)</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.8</td>
<td>2.6</td>
<td>2.7 (2017–2018)</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>UPU (total volume of outsourcing)</strong></td>
<td>2 173 967</td>
<td>2 023 504</td>
<td>2 185 614</td>
<td>2 227 346</td>
<td>2 155 752</td>
<td>2 135 033</td>
<td>2 130 064</td>
<td>15 031 281</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-6.9</td>
<td>8</td>
<td>1.9</td>
<td>-3.2</td>
<td>-1</td>
<td>-0.2</td>
<td>-2 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>688 000</td>
<td>2 989 000</td>
<td>-</td>
<td>22 791 230</td>
<td>21 952 640</td>
<td>16 700 000</td>
<td>14 000 000</td>
<td>79 120 870</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>316</td>
<td>67.7</td>
<td>-</td>
<td>9.8</td>
<td>9.8</td>
<td>12.8</td>
<td>15.2</td>
<td>2018</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>74 012 429</td>
<td>76 015 020</td>
<td>63 245 715</td>
<td>79 265 758</td>
<td>77 403 536</td>
<td>82 854 833</td>
<td>75 172 438</td>
<td>527 969 729</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>2.9</td>
<td>2.7</td>
<td>3.5</td>
<td>2.8</td>
<td>2.8</td>
<td>2.6</td>
<td>2.8</td>
<td>15.3 (2012 and 2018)</td>
</tr>
<tr>
<td><strong>WFP (total volume of outsourcing)</strong></td>
<td>1 093 788 338</td>
<td>951 303 307</td>
<td>1 062 245 991</td>
<td>1 137 554 240</td>
<td>1 142 256 811</td>
<td>1 169 588 665</td>
<td>1 260 964 971</td>
<td>7 817 702 322</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-13</td>
<td>11.7</td>
<td>7.1</td>
<td>0.4</td>
<td>2.4</td>
<td>7.8</td>
<td>15.3 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>2 483 983 240</td>
<td>2 476 557 589</td>
<td>2 752 856 500</td>
<td>2 629 553 266</td>
<td>2 961 903 699</td>
<td>3 075 332 797</td>
<td>3 497 040 657</td>
<td>19 877 227 748</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>44</td>
<td>38.4</td>
<td>38.6</td>
<td>43.3</td>
<td>38.6</td>
<td>38</td>
<td>36.1</td>
<td>39.3 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>4 450 012 777</td>
<td>4 767 693 118</td>
<td>4 996 778 314</td>
<td>4 893 472 393</td>
<td>5 355 409 043</td>
<td>6 224 010 883</td>
<td>6 789 054 399</td>
<td>37 476 430 927</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>24.6</td>
<td>20</td>
<td>21.3</td>
<td>23.2</td>
<td>21.3</td>
<td>18.8</td>
<td>18.6</td>
<td>20.9 (2012–2018)</td>
</tr>
<tr>
<td><strong>WHO – headquarters only (total volume of outsourcing)</strong></td>
<td>9 946 450</td>
<td>10 642 569</td>
<td>12 123 485</td>
<td>12 179 131</td>
<td>10 986 115</td>
<td>12 012 085</td>
<td>11 573 424</td>
<td>79 463 259</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>7</td>
<td>13.9</td>
<td>0.5</td>
<td>-9.8</td>
<td>9.3</td>
<td>-3.7</td>
<td>16.4 (2012 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement (WHO – headquarters only)</td>
<td>221 000 000</td>
<td>242 000 000</td>
<td>301 000 000</td>
<td>303 000 000</td>
<td>244 000 000</td>
<td>268 000 000</td>
<td>240 000 000</td>
<td>1 819 000 000</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>4.5</td>
<td>4.4</td>
<td>4</td>
<td>4.1</td>
<td>4.5</td>
<td>4.5</td>
<td>4.8</td>
<td>4.4 (2012–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure (all WHO except PAHO)</td>
<td>4 159 926 810</td>
<td>2 260 998 329</td>
<td>2 316 590 813</td>
<td>2 738 660 315</td>
<td>2 471 062 278</td>
<td>2 680 744 796</td>
<td>2 500 048 502</td>
<td>19 128 031 843</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>0.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4 (2012–2018)</td>
</tr>
<tr>
<td><strong>WIPO (total volume of outsourcing)</strong></td>
<td>46 332 353</td>
<td>57 315 046</td>
<td>60 315 721</td>
<td>47 365 210</td>
<td>51 607 978</td>
<td>59 654 047</td>
<td>-</td>
<td>322 590 355</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>23.7</td>
<td>5.2</td>
<td>-21.5</td>
<td>9</td>
<td>15.6</td>
<td>-</td>
<td>28.8 (2012 and 2017)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>127 094 000</td>
<td>150 950 000</td>
<td>146 642 000</td>
<td>102 812 670</td>
<td>114 312 560</td>
<td>114 800 000</td>
<td>-</td>
<td>756 611 230</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>36.5</td>
<td>38</td>
<td>41.1</td>
<td>46.1</td>
<td>45.1</td>
<td>52</td>
<td>-</td>
<td>42.6 (2012–2017)</td>
</tr>
</tbody>
</table>
Sources: Outsourcing volumes are derived from corporate questionnaire and follow-up questionnaire responses from JIU participating organizations. Procurement volumes for ICAO, the United Nations, UNOPS, UNRWA, UNWTO, WFP and WHO headquarters were provided directly by the organizations to JIU. Procurement volumes for the remaining 16 organizations were extracted from the annual statistical reports on United Nations procurement from 2012 to 2018. The reports are produced by UNOPS and are available at www.ungm.org. Data for total organizational expenditure for all organizations except the United Nations was derived from the website of the CEB Finance and Budget Network: www.unsceb.org/content/FS-F00-03. It should be noted that a few organizations provided expenditure data directly to JIU, which, for some years and for certain organizations, did not match their expenditure data listed on the CEB website. For consistency purposes, only the expenditure data from the CEB website was used. However, for the United Nations, data provided directly by the organization was used, to allow for consistency between the entities of the organization covered by outsourcing data and the procurement data. UNWTO provided procurement and outsourcing volumes in euros, and WMO and UPU provided outsourcing volumes in Swiss francs. Data for some outsourced services was provided by ITU in euros, Hungarian forint, Qatari riyals, won, South African rand, Swiss francs, baht and UAE dirhams. All data was converted to United States dollars using average annual exchange rates taken from the following sites for the following currencies: oecd.org (Swiss francs and euros); ofx.com (UAE dirhams, Hungarian forint, won, baht and South African rand); and ceicdata.com (Qatari riyals).

Abbreviation: Org. exp., organizational expenditure.

a Total volume of outsourcing, total volume of procurement and total organizational expenditure are provided in United States dollars.

b The United Nations Procurement Division started including procurement data of offices away from headquarters, regional commissions and tribunals in annual statistics from 2017 onwards. Therefore, the figures from 2012 to 2016 include only the volume from headquarters, peacekeeping missions and special political missions.

c Reflects actual procurement expense data per calendar year and includes the sum of contractual services, operational costs, supplies and consumables and travel as reported by UNOPS on the financial report and audited financial statements, as prepared by the United Nations Board of Auditors.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total organizational expenditure</td>
<td>352 672 429</td>
<td>379 346 425</td>
<td>337 594 738</td>
<td>351 839 000</td>
<td>347 037 073</td>
<td>403 729 039</td>
<td>-</td>
<td>2 172 218 704</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>13.1</td>
<td>15.1</td>
<td>17.9</td>
<td>13.5</td>
<td>14.9</td>
<td>14.8</td>
<td>-</td>
<td>14.9 (2012–2017)</td>
</tr>
<tr>
<td>WMO (total volume of outsourcing)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7 044 699</td>
<td>9 165 482</td>
<td>9 334 010</td>
<td>9 783 231</td>
<td>35 327 422</td>
</tr>
<tr>
<td>Percentage change in outsourced volume</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30.1</td>
<td>1.8</td>
<td>4.8</td>
<td>6.7 (2015 and 2018)</td>
</tr>
<tr>
<td>Total volume of procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12 786 060</td>
<td>17 611 030</td>
<td>14 100 000</td>
<td>15 100 000</td>
<td>59 597 090</td>
</tr>
<tr>
<td>Outsourcing as percentage of total procurement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>55.1</td>
<td>52</td>
<td>66.2</td>
<td>64.8</td>
<td>59.3 (2015–2018)</td>
</tr>
<tr>
<td>Total organizational expenditure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>102 471 241</td>
<td>98 226 341</td>
<td>107 891 616</td>
<td>96 634 245</td>
<td>405 223 443</td>
</tr>
<tr>
<td>Outsourcing as percentage of total org. exp.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6.9</td>
<td>9.3</td>
<td>8.7</td>
<td>10.1</td>
<td>8.7 (2015–2018)</td>
</tr>
</tbody>
</table>
### Annex IV

**Proportion of expenditure on outsourcing services by organization**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Editorial, design, graphic and fine art</td>
<td>3.7%</td>
</tr>
<tr>
<td>National defence and public order, security and safety</td>
<td>2.1%</td>
</tr>
<tr>
<td>Others</td>
<td>1.1%</td>
</tr>
<tr>
<td>Financial and insurance</td>
<td>13.3%</td>
</tr>
<tr>
<td>Building, facility construction and maintenance</td>
<td>13.2%</td>
</tr>
<tr>
<td>Farming, fishing, forestry and wildlife contracting services</td>
<td>12.2%</td>
</tr>
<tr>
<td>Transportation, storage and mail</td>
<td>12.1%</td>
</tr>
<tr>
<td>Engineering, research and technology</td>
<td>12.0%</td>
</tr>
<tr>
<td>Travel, food, lodging and entertainment</td>
<td>8.4%</td>
</tr>
<tr>
<td>Management and business administration</td>
<td>8.3%</td>
</tr>
<tr>
<td>Education and training services</td>
<td>5.6%</td>
</tr>
<tr>
<td>Industrial cleaning</td>
<td>4.2%</td>
</tr>
<tr>
<td>Public utilities and other public services</td>
<td>3.8%</td>
</tr>
<tr>
<td>National defence and public order, security and safety</td>
<td>2.1%</td>
</tr>
<tr>
<td>Others</td>
<td>1.1%</td>
</tr>
<tr>
<td>Financial and insurance</td>
<td>13.3%</td>
</tr>
<tr>
<td>Building, facility construction and maintenance</td>
<td>13.2%</td>
</tr>
<tr>
<td>Farming, fishing, forestry and wildlife contracting services</td>
<td>12.2%</td>
</tr>
<tr>
<td>Transportation, storage and mail</td>
<td>12.1%</td>
</tr>
<tr>
<td>Engineering, research and technology</td>
<td>12.0%</td>
</tr>
<tr>
<td>Travel, food, lodging and entertainment</td>
<td>8.4%</td>
</tr>
<tr>
<td>Management and business administration</td>
<td>8.3%</td>
</tr>
<tr>
<td>Education and training services</td>
<td>5.6%</td>
</tr>
<tr>
<td>Industrial cleaning</td>
<td>4.2%</td>
</tr>
<tr>
<td>Public utilities and other public services</td>
<td>3.8%</td>
</tr>
<tr>
<td>National defence and public order, security and safety</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

**FAO (2012–2018): $1 billion**
WMO (2015–2018): $35.3 million

UNAIDS (2012–2018): $129.6 million

Freight forwarding and delivery services: 11.1%
Building and construction: 8.9%
Rental and lease: 7.9%
Architecture, engineering and construction-related services: 7.2%
Real estate: 6.6%
Security: 6.3%
ICT: 4.1%
Management services: 4.5%
Travel: 5.0%
Computer and information technology-related services: 5.2%
Security and safety equipment and services: 2.5%
Prefabricated buildings: 2.7%
Maintenance and repair services: 3.3%
Travel and related services: 3.0%
Utilities: 1.2%
Building management and maintenance: 1.3%
Food rations and catering services: 1.7%
Industrial cleaning: 2.4%
Professional service: 2.4%
Cleaning and waste disposal services: 2.2%
42 other services: 11.1%
UNDP (2012–2018): $2.6 billion

Engineering (civil) 32.9%
Building maintenance and repair 16.8%
Travel management 12.5%
Conference services 9.5%
8 other services 5.9%
Printing 5.1%
Security systems 3.7%
Training 3.2%
Handyman 2.1%
Engineering (electrical) 2.4%
Cafeteria 1.6%
Commercial construction 2.1%
Conference services 9.5%

UNFPA (2012–2018): $29.5 million

Leadership Pool Assessment Center 5.1%
After service health insurance investment portfolio management 2.7%
Benefits and entitlement services 35.4%
Cloud hosting 0.4%
Vendor management 1.6%
Atlas tier I end-user support 2.4%
OneHR 0.2%
Atlas hosting and operational support 41.5%
Systems administration and security services 10.9%
UNOPS (2013–2017): $424.2 million

UNRWA (2015–2018): $53.2 million

Source: Corporate questionnaire and follow-up questionnaire responses from JIU participating organizations.
## Annex V

### Expenditure on 22 broad categories of outsourced services

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafeteria and catering(^a)</td>
<td>49 263 007</td>
<td>64 445 585</td>
<td>14 780 812</td>
<td>18 943 078</td>
<td>16 853 145</td>
<td>19 319 810</td>
<td>21 977 814</td>
<td>205 583 251</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>30.8</td>
<td>-77.1</td>
<td>28.2</td>
<td>-11</td>
<td>14.6</td>
<td>13.8</td>
<td>-55.4</td>
</tr>
<tr>
<td>Communications and public relations(^b)</td>
<td>44 394 844</td>
<td>33 954 847</td>
<td>53 892 671</td>
<td>73 024 180</td>
<td>91 959 908</td>
<td>82 869 954</td>
<td>101 005 716</td>
<td>481 102 120</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>-23.5</td>
<td>58.7</td>
<td>35.5</td>
<td>25.9</td>
<td>-9.9</td>
<td>21.9</td>
<td>127.5</td>
</tr>
<tr>
<td>Conference services(^c)</td>
<td>40 679 139</td>
<td>46 155 930</td>
<td>30 713 717</td>
<td>51 444 590</td>
<td>46 334 287</td>
<td>53 037 928</td>
<td>47 676 025</td>
<td>316 041 166</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>13.5</td>
<td>-33.5</td>
<td>67.5</td>
<td>-9.9</td>
<td>14.5</td>
<td>-10</td>
<td>17.2</td>
</tr>
<tr>
<td>Editing, publications and printing(^d)</td>
<td>31 561 242</td>
<td>36 935 966</td>
<td>37 567 410</td>
<td>31 871 049</td>
<td>31 707 859</td>
<td>34 014 590</td>
<td>57 635 512</td>
<td>261 293 628</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>17</td>
<td>1.7</td>
<td>-15.2</td>
<td>-0.5</td>
<td>7.3</td>
<td>69.4</td>
<td>82.6</td>
</tr>
<tr>
<td>Education and training(^e)</td>
<td>33 245 220</td>
<td>38 428 749</td>
<td>36 328 907</td>
<td>35 476 192</td>
<td>49 853 800</td>
<td>74 793 473</td>
<td>47 916 789</td>
<td>316 043 130</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>15.6</td>
<td>-5.5</td>
<td>-2.3</td>
<td>40.5</td>
<td>50</td>
<td>-35.9</td>
<td>44.1</td>
</tr>
<tr>
<td>Engineering services(^f)</td>
<td>87 390 848</td>
<td>102 025 570</td>
<td>86 609 085</td>
<td>160 393 845</td>
<td>193 749 547</td>
<td>298 621 005</td>
<td>177 964 180</td>
<td>1 106 754 080</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>16.7</td>
<td>-15.1</td>
<td>85.2</td>
<td>20.8</td>
<td>54.1</td>
<td>-40.4</td>
<td>103.6</td>
</tr>
<tr>
<td>Facility construction and maintenance(^g)</td>
<td>322 710 592</td>
<td>215 312 858</td>
<td>296 401 660</td>
<td>405 482 290</td>
<td>346 299 402</td>
<td>400 837 609</td>
<td>757 536 942</td>
<td>2 805 616 800</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>-33</td>
<td>37.7</td>
<td>37</td>
<td>-14.6</td>
<td>15.7</td>
<td>89</td>
<td>134.7</td>
</tr>
<tr>
<td>Farming, fishing, forestry and wildlife contracting(^h)</td>
<td>2 043 566</td>
<td>29 796 092</td>
<td>24 714 089</td>
<td>27 509 386</td>
<td>14 166 557</td>
<td>14 151 943</td>
<td>10 174 659</td>
<td>122 556 292</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>1 358</td>
<td>-17.1</td>
<td>11.3</td>
<td>-48.5</td>
<td>-0.1</td>
<td>-28.1</td>
<td>397.9</td>
</tr>
<tr>
<td>Finance, accounting and insurance(^i)</td>
<td>9 516 510</td>
<td>24 440 382</td>
<td>22 295 349</td>
<td>23 986 790</td>
<td>41 543 839</td>
<td>354 798 385</td>
<td>166 531 324</td>
<td>643 112 580</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>156.8</td>
<td>-8.8</td>
<td>7.6</td>
<td>73.2</td>
<td>754</td>
<td>-53.1</td>
<td>1649.9</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Logistics (freight, transportation, storage, mail)^{3}</td>
<td>1 174 881 434</td>
<td>980 081 716</td>
<td>1 137 010 779</td>
<td>1 199 376 901</td>
<td>1 197 176 755</td>
<td>1 207 968 589</td>
<td>1 273 208 890</td>
<td>8 169 705 065</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>-16.6</td>
<td>16</td>
<td>5.5</td>
<td>-0.2</td>
<td>0.9</td>
<td>5.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Human resources, professional and administrative services^{5}</td>
<td>104 659 546</td>
<td>131 057 448</td>
<td>118 862 066</td>
<td>133 431 968</td>
<td>162 453 149</td>
<td>198 012 134</td>
<td>208 789 770</td>
<td>1 057 266 080</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>25.2</td>
<td>-9.3</td>
<td>12.3</td>
<td>21.7</td>
<td>21.9</td>
<td>5.4</td>
<td>99.5</td>
</tr>
<tr>
<td>Information and communications technology^{6}</td>
<td>142 250 304</td>
<td>161 733 923</td>
<td>228 618 515</td>
<td>221 176 291</td>
<td>229 202 792</td>
<td>257 140 763</td>
<td>143 456 602</td>
<td>1 383 579 190</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>13.7</td>
<td>41.4</td>
<td>-3.3</td>
<td>3.6</td>
<td>12.2</td>
<td>-44.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Legal services^{6}</td>
<td>5 325 151</td>
<td>5 268 204</td>
<td>5 126 384</td>
<td>6 645 760</td>
<td>1 179 866</td>
<td>1 339 123</td>
<td>1 047 622</td>
<td>25 932 110</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>-1.1</td>
<td>-2.7</td>
<td>29.6</td>
<td>-82.2</td>
<td>13.5</td>
<td>-21.8</td>
<td>-80.3</td>
</tr>
<tr>
<td>Management support^{5}</td>
<td>79 207 365</td>
<td>137 307 414</td>
<td>55 927 404</td>
<td>52 958 230</td>
<td>26 279 796</td>
<td>27 138 151</td>
<td>17 307 489</td>
<td>396 125 849</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>73.4</td>
<td>-59.3</td>
<td>-5.3</td>
<td>-50.4</td>
<td>3.3</td>
<td>-36.2</td>
<td>-78.1</td>
</tr>
<tr>
<td>Office equipment and supplies^{6}</td>
<td>9 325 025</td>
<td>7 278 169</td>
<td>7 404 657</td>
<td>7 180 204</td>
<td>3 543 509</td>
<td>2 814 706</td>
<td>2 257 745</td>
<td>39 804 014</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>-22</td>
<td>1.7</td>
<td>-3</td>
<td>-50.6</td>
<td>-20.6</td>
<td>-19.8</td>
<td>-75.8</td>
</tr>
<tr>
<td>Oversight, inspections, quality control/assurance^{6}</td>
<td>22 266 113</td>
<td>27 018 285</td>
<td>32 684 363</td>
<td>50 104 925</td>
<td>46 394 963</td>
<td>47 212 865</td>
<td>58 437 562</td>
<td>284 119 076</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>21.3</td>
<td>21</td>
<td>53.3</td>
<td>-7.4</td>
<td>1.8</td>
<td>23.8</td>
<td>162.5</td>
</tr>
<tr>
<td>Real estate, premises rental and lease and utilities^{5}</td>
<td>184 023 045</td>
<td>192 401 685</td>
<td>117 467 988</td>
<td>163 666 877</td>
<td>182 408 684</td>
<td>217 737 235</td>
<td>218 981 812</td>
<td>1 276 687 325</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>4.6</td>
<td>-38.9</td>
<td>39.3</td>
<td>11.5</td>
<td>19.4</td>
<td>0.6</td>
<td>19</td>
</tr>
<tr>
<td>Safety and security^{5}</td>
<td>75 652 355</td>
<td>96 362 848</td>
<td>117 900 450</td>
<td>137 688 598</td>
<td>379 807 750</td>
<td>178 670 207</td>
<td>187 018 747</td>
<td>1 173 100 956</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>27.4</td>
<td>22.4</td>
<td>16.8</td>
<td>175.8</td>
<td>-53</td>
<td>4.7</td>
<td>147.2</td>
</tr>
<tr>
<td>Translation and interpretation^{5}</td>
<td>27 795 073</td>
<td>38 903 204</td>
<td>35 126 665</td>
<td>33 823 628</td>
<td>86 031 718</td>
<td>39 540 681</td>
<td>11 889 532</td>
<td>273 110 502</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>40</td>
<td>-9.7</td>
<td>-3.7</td>
<td>154</td>
<td>-54</td>
<td>-69.9</td>
<td>-57.2</td>
</tr>
<tr>
<td>Travel, food and lodging^{5}</td>
<td>117 565 074</td>
<td>125 725 957</td>
<td>122 683 456</td>
<td>129 500 177</td>
<td>117 019 568</td>
<td>286 245 637</td>
<td>289 114 169</td>
<td>1 187 854 038</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>6.9</td>
<td>-2.4</td>
<td>5.6</td>
<td>-9.6</td>
<td>144.6</td>
<td>1</td>
<td>145.9</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Vehicles, repair and maintenance¹</td>
<td>16 570 291</td>
<td>3 255 850</td>
<td>5 568 247</td>
<td>3 536 215</td>
<td>13 243 390</td>
<td>8 246 963</td>
<td>12 745 932</td>
<td>63 166 887</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>-80.4</td>
<td>71</td>
<td>-36.5</td>
<td>274.5</td>
<td>-37.7</td>
<td>54.6</td>
<td>-23.1</td>
</tr>
<tr>
<td>Other miscellaneous outsourced services</td>
<td>140 578 084</td>
<td>205 050 944</td>
<td>85 558 005</td>
<td>96 555 909</td>
<td>108 332 835</td>
<td>124 998 636</td>
<td>120 216 503</td>
<td>881 290 916</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>45.9</td>
<td>-58.3</td>
<td>12.9</td>
<td>12.2</td>
<td>15.4</td>
<td>-3.8</td>
<td>-14.5</td>
</tr>
<tr>
<td>Total expenditure for all outsourced services</td>
<td>2 720 903 826</td>
<td>2 708 911 635</td>
<td>2 685 951 542</td>
<td>3 073 878 276</td>
<td>3 395 090 385</td>
<td>3 942 597 718</td>
<td>3 942 512 124</td>
<td>22 469 845 506</td>
</tr>
<tr>
<td>Percentage change (from previous year)</td>
<td>-</td>
<td>-0.4</td>
<td>-0.8</td>
<td>14.4</td>
<td>10.4</td>
<td>16.1</td>
<td>0</td>
<td>44.9</td>
</tr>
</tbody>
</table>

Source: Corporate questionnaire and follow-up questionnaire responses from JIU participating organizations.

Note: UNWTO provided data in euros, and WMO and UPU provided data in Swiss francs. Data for reprography and translation were provided by ITU in euros, Hungarian forint, Qatari riyals, won, South African rand, Swiss francs, baht and UAE dirhams. All data were converted to United States dollars using average annual exchange rates taken from the following sites for the following currencies: oecd.org (Swiss francs and euros); ofx.com (UAE dirhams, Hungarian forint, won, baht and South African rand); and ceicdata.com (Qatari riyals).

¹ Food and catering (the United Nations); food rations and catering services (the United Nations); cafeteria services (UNDP); and cafeteria and catering services (UNHCR, UNRWA, UN-Women and WIPO).

² Radio communication and television broadcasting services (the United Nations); photographic equipment and accessories (the United Nations); telecommunication equipment and services (the United Nations and UNDP); advertising, marketing and meetings (the United Nations); communications and media (UNHCR and UNOPS); information centres (UNDP); and public relations and fundraising (UNICEF).

³ Conference organizing services (UNDP); conference and event management services (UNHCR and UNOPS); conference and meeting services (UN-Women); and sound operators (WHO).

⁴ Editorial, design, and graphic and fine art (FAO); printing (IAEA, ICAO, ILO, IMO, UNDP and UNRWA); distribution (ICAO); design (IMO); reprography (ITU); graphic and stamp design and printing (the United Nations); printing ink and printing press accessories (the United Nations); external printing services (UNESCO); graphic design services (UNESCO); sale of publications (UNESCO); printing and reprography (UNHCR); printing, publishing, graphic design, audio-visual, advertising, promotional and workshop supplies (UN-Women); printing equipment services leasing (UNWTO); layout of publications (UNWTO); publications (UNWTO); e-library and electronic publications (UNWTO); managed print services and office and print shop (WHO); and proofreading and correction (WIPO).

⁵ Education and training services (FAO and UN-Women); language training (ICAO, UNHCR and WIPO); education (the United Nations); training services (the United Nations, UNDP, UNHCR, UNOPS and UN-Women); meetings, training and workshops (UNAIDS); library (UNAIDS); staff development and learning (UNAIDS); management development (UNDP); leadership pool assessment centre (UNFPA); and technical management of Trainpost distance learning platform (UPU).

¹¹ Engineering, research and technology (FAO); engineering (the United Nations); civil engineering (UNDP); electric and electrical engineering (UNDP); and mechanical engineering (UNDP).

⁶ Building, facility construction and maintenance (FAO and UNOPS); industrial cleaning (FAO and the United Nations); cleaning services (IAEA, ILO, IMO, ITU, UNHCR, UNRWA, UN-Women and UNWTO); facilities (ILO); gardening (ILO); facility and buildings management (IMO); building and construction (the United Nations); air conditioning, heating and plumbing (the United Nations); architecture, engineering and construction-related services (the United Nations); building management and maintenance (the United Nations); cleaning and waste disposal services (the United Nations); maintenance and repair services (the United Nations); pre-fabricated buildings (the United Nations); building maintenance and repair (UNDP);
commercial construction (UNDP); handyman services (UNDP); facilities, including cleaning, gardening and catering (UNESCO); building-related contracts, maintenance and renovation (UNHCR); facility maintenance and repair (UNICEF); facility management services, including infrastructure and buildings maintenance (UNIDO); building maintenance (UNRWA); garbage collection (UNRWA); building maintenance, leasehold improvement, equipment repair and security equipment (UN-Women); moving and premises services (UN-Women); building renovations (UNWTO); permanent and temporary infrastructure construction services (WFP); facility management (WHO); cleaning and handling services (WIPO); general electrical maintenance (WIPO); external landscaping services (WIPO); heating, ventilation and air conditioning maintenance (WIPO); and facilities management, including elevator maintenance (WMO).

5 Farming, fishing, forestry and wildlife contracting services (FAO).

6 Financial and insurance (FAO and the United Nations); health insurance (ITU and the United Nations); insurance (the United Nations); finance (UNAIDS); after service health insurance investment portfolio management (UNFPA); finance and accounting (UNHCR); finance and insurance services (UNHCR and UNICEF); and investment management of after service health insurance funds (UNICEF).

7 Transportation, storage and mail (FAO); airfield operations (the United Nations); freight forwarding and delivery services (the United Nations); shipping (UNAIDS); freight forwarders services (UNDP); land transport (UNDP); custom clearance services (UNHCR); international freight (UNHCR and UNICEF); in-country logistics and warehousing services (UNHCR and UNICEF); postal services and shipping for publications (UNHCR and UNWTO); mail and pouch (UNHCR and WMO); custom clearance and freight forwarding (UNRWA); transportation services (UNRWA); courier charges (UN-Women); freight forwarding (UN-Women); mailroom (UPU); landside transport (WFP); air operations (WFP); shipping operations (WFP); logistics handling and storage services (WFP); and air, ocean and landside transport services (WFP).

8 Consulting services (the United Nations); professional services (the United Nations); consultancy (UNESCO); OneHR (UNFPA); administrative and clerical services (UNOPS); human resources management services (UN-Women); local consultants support (UN-Women); consulting companies in the fields of ICT and digital design, audit and printing (UN-Women); office and administrative services (WFP); and consultancy services and casual labour (WFP).

9 ICT services (ICAO, ILO, the United Nations, UNAIDS, WHO and WMO); hosting of enterprise resource planning system (IMO); performance appraisal system (ITU); computer and information technology-related services (the United Nations); management information system (UNDP); cloud computing server solutions (UNESCO); Atlas hosting and operational support (UNFPA); Atlas tier I end user support (UNFPA); cloud hosting (UNFPA); systems administration and security services (UNFPA); ICT services, including help desk, maintenance, equipment installation and software development (UNHCR); ICT services, including ICT installation and repair, ICT support and development (UNOPS); software development (UNRWA); international consultants support and technology (UN-Women); software maintenance, licence, computer equipment, accessories and telecom services (UN-Women); installation of ICT equipment (UNWTO); DBA Oracle services (UNWTO); network hosting (UPU); software development (UPU); translation services for ICT software (UPU); proximity support for headquarters (WHO); ICT consultancy services (WIPO); and ICT helpdesk (WIPO).

10 The United Nations, UNHCR and UNOPS.

11 Management and business administration (FAO); management services (the United Nations); general management support (UNAIDS); and management advisory services (UNHCR and UNOPS).

12 Furniture (the United Nations); office equipment and supplies (the United Nations); office and accounting equipment (the United Nations); office equipment rental and lease (the United Nations); office supplies (UN-Women); desks, chairs and cabinets (UN-Women); and office goods and related services, including supplies, desks, chairs, cabinets and stationery (WFP).

13 Internal audit service (ILO, UNWTO and UPU); inspection and related services (the United Nations); internal audit (UNESCO); audit and consultancy, internal audit, and forensic services (UNHCR); quality assurance, laboratory and inspection services (UNHCR and UNICEF); quality control (UNRWA); audit fees (UN-Women); evaluation projects (UN-Women); inspection, insurance and quality control (WFP); and investigation services (WIPO).

14 Public utilities and other public services (FAO); utilities (the United Nations); real estate (the United Nations); rental and lease (the United Nations); and premises rent and utilities (WFP).
National defence and public order, security and safety (FAO); safety and security services (IAEA, UNHCR, UNICEF, UNOPS, WFP and WIPO); security services (ILO, IMO, ITU, the United Nations, UNAIDS, UNESCO and WMO); security and safety equipment and services (the United Nations); security systems services (UNDP); unarmed security guard services (UNRWA); security guards (UNWTO); and premises security (WHO).

Translation services (IAEA, ITU, UNESCO, UN-Women, UNWTO, UPU and WPF); translation and interpretation (the United Nations and UNHCR); language interpretation (UNDP); and interpretation services (UNESCO, UNHCR, UNWTO and WPF).

Travel, food, lodging and entertainment (FAO); travel services (IAEA, ILO, ITU, the United Nations and UNHCR); tourism and related services (the United Nations); travel management services (UNDP and UNOPS); travel, food and lodging (UNICEF); travel tickets, visa, terminal expenses, vehicle, bus, rail and taxi (UN-Women); hotel accommodation (UN-Women); purchase of air and train tickets (UNWTO); and travel (WMO).

Vehicles (the United Nations); vehicle repair (UNDP); vehicle maintenance (UNHCR and UNOPS); and air, land and sea vehicles-related services (WFP).
Annex VI

Miscellaneous outsourced services not categorized
(United States dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental services (FAO)</td>
<td>49 715</td>
<td>215 757</td>
<td>424 292</td>
<td>252 282</td>
<td>157 670</td>
<td>563 642</td>
<td>888 543</td>
<td>2 551 901</td>
</tr>
<tr>
<td>Health-care services (FAO)</td>
<td>8 000</td>
<td>210 877</td>
<td>131 190</td>
<td>9 695</td>
<td>223 773</td>
<td>151 399</td>
<td>383 877</td>
<td>1 118 811</td>
</tr>
<tr>
<td>Industrial production and manufacturing (FAO)</td>
<td>36 500</td>
<td>1 193 998</td>
<td>489 410</td>
<td>4 029</td>
<td>32 583</td>
<td>1 013</td>
<td>5 790</td>
<td>1 763 323</td>
</tr>
<tr>
<td>Land, buildings, structures and thoroughfares (FAO)</td>
<td>668 853</td>
<td>1 027 146</td>
<td>427 344</td>
<td>1 409 546</td>
<td>625 923</td>
<td>938 766</td>
<td>925 778</td>
<td>6 023 356</td>
</tr>
<tr>
<td>Organization and clubs (FAO)</td>
<td>-</td>
<td>-</td>
<td>3 305</td>
<td>1 250</td>
<td>2 688</td>
<td>5 546</td>
<td>96 279</td>
<td>109 068</td>
</tr>
<tr>
<td>Politics and civic affairs (FAO)</td>
<td>354</td>
<td>2 041 188</td>
<td>631 631</td>
<td>1 427 472</td>
<td>766 273</td>
<td>752 045</td>
<td>368 696</td>
<td>5 987 659</td>
</tr>
<tr>
<td>Personal and domestic services (FAO)</td>
<td>-</td>
<td>24 506</td>
<td>579</td>
<td>14 168</td>
<td>228</td>
<td>5 034</td>
<td>8 823</td>
<td>53 338</td>
</tr>
<tr>
<td>Others (ICAO)</td>
<td>613 550</td>
<td>363 117</td>
<td>443 143</td>
<td>498 430</td>
<td>130 357</td>
<td>852 935</td>
<td>1 038 386</td>
<td>3 939 918</td>
</tr>
<tr>
<td>Agricultural (the United Nations)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70 352</td>
<td>67 580</td>
<td>92 115</td>
<td>230 047</td>
</tr>
<tr>
<td>Archiving services (the United Nations)</td>
<td>763 384</td>
<td>1 433 916</td>
<td>-250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 197 050</td>
<td></td>
</tr>
<tr>
<td>Electronic data processing equipment and maintenance services (the United Nations)</td>
<td>10 587 432</td>
<td>14 948 464</td>
<td>5 467 448</td>
<td>8 205 464</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39 208 808</td>
</tr>
<tr>
<td>Electrical apparatus and electronic components (United Nations)</td>
<td>15 484 822</td>
<td>7 104 007</td>
<td>1 319 896</td>
<td>1 255 122</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25 163 847</td>
</tr>
<tr>
<td>Generator sets (the United Nations)</td>
<td>4 009 489</td>
<td>-742 928</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 266 561</td>
</tr>
<tr>
<td>Industrial (the United Nations)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 567 595</td>
<td>12 473 548</td>
<td>21 015 681</td>
<td>38 056 824</td>
</tr>
<tr>
<td>Machinery and parts (the United Nations)</td>
<td>13 270</td>
<td>1 248 152</td>
<td>4 929</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 266 350</td>
</tr>
<tr>
<td>Maintenance and repair services (the United Nations)</td>
<td>61 741 269</td>
<td>120 076 131</td>
<td>15 905 805</td>
<td>8 831 211</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>206 554 416</td>
</tr>
<tr>
<td>Medical items, precision and measuring instruments (the United Nations)</td>
<td>-</td>
<td>454 170</td>
<td>8 791 783</td>
<td>19 650 471</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28 896 425</td>
</tr>
<tr>
<td>Miscellaneous (the United Nations)</td>
<td>11 325 628</td>
<td>12 908 278</td>
<td>12 274 842</td>
<td>12 548 187</td>
<td>2 204 252</td>
<td>2 172 114</td>
<td>1 280 053</td>
<td>54 713 353</td>
</tr>
<tr>
<td>Periodical subscription</td>
<td>35 687</td>
<td>124 949</td>
<td>308 726</td>
<td>1 024 226</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 493 588</td>
</tr>
<tr>
<td>Pharmaceuticals and health (the United Nations)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16 998 789</td>
<td>13 236 450</td>
<td>13 063 308</td>
<td>43 298 548</td>
</tr>
<tr>
<td>Pharmaceutical products and vaccines (the United Nations)</td>
<td>1 711 778</td>
<td>22 823</td>
<td>52 937</td>
<td>5 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 792 538</td>
</tr>
<tr>
<td>Power plant, solar energy equipment and services (the United Nations)</td>
<td>2 525 996</td>
<td>5 084 167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7 610 163</td>
</tr>
<tr>
<td>Scientific studies and equipment (the United Nations)</td>
<td>769 650</td>
<td>773 864</td>
<td>558 231</td>
<td>760 706</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 862 451</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>Technical and project study (the United Nations)</td>
<td>2 673 692</td>
<td>4 527 130</td>
<td>970 949</td>
<td>893 871</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9 065 641</td>
</tr>
<tr>
<td>Textile articles other than apparel (the United Nations)</td>
<td>-</td>
<td>22 650</td>
<td>110 549</td>
<td>20 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>153 199</td>
</tr>
<tr>
<td>Uniforms and accoutrement (the United Nations)</td>
<td>700</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>700</td>
</tr>
<tr>
<td>Programme implementation – research (UNAIDS)</td>
<td>123 590</td>
<td>78 569</td>
<td>14 372</td>
<td>25 713</td>
<td>31 091</td>
<td>-</td>
<td>-</td>
<td>273 335</td>
</tr>
<tr>
<td>Programme implementation – combined (UNAIDS)</td>
<td>8 821 995</td>
<td>12 869 027</td>
<td>15 576 577</td>
<td>11 881 899</td>
<td>11 409 746</td>
<td>7 369 729</td>
<td>14 385 881</td>
<td>82 314 854</td>
</tr>
<tr>
<td>Planning, performance management training, resource mobilization and budget management</td>
<td>-</td>
<td>-</td>
<td>27 739</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27 739</td>
</tr>
<tr>
<td>services (UNAIDS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement (UNAIDS)</td>
<td>107 959</td>
<td>187 049</td>
<td>128 091</td>
<td>94 141</td>
<td>97 112</td>
<td>65 560</td>
<td>-</td>
<td>679 912</td>
</tr>
<tr>
<td>Infrastructure and logistics services (UNAIDS)</td>
<td>4 717 144</td>
<td>5 033 853</td>
<td>5 877 063</td>
<td>3 559 611</td>
<td>3 663 196</td>
<td>3 265 239</td>
<td>-</td>
<td>26 116 106</td>
</tr>
<tr>
<td>Infrastructure, security and licences (UNAIDS)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>275 900</td>
<td>2 787 057</td>
<td>3 062 957</td>
<td></td>
</tr>
<tr>
<td>General staff services (UNAIDS)</td>
<td>74 248</td>
<td>86 344</td>
<td>6 598</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>167 190</td>
</tr>
<tr>
<td>Vendor management (UNFPA)</td>
<td>78 780</td>
<td>78 780</td>
<td>68 260</td>
<td>63 000</td>
<td>63 000</td>
<td>63 060</td>
<td>63 360</td>
<td>478 240</td>
</tr>
<tr>
<td>Archival scanning services (UNHCR)</td>
<td>-</td>
<td>29 097</td>
<td>12 020</td>
<td>52 702</td>
<td>32 753</td>
<td>175 209</td>
<td>410 112</td>
<td>711 893</td>
</tr>
<tr>
<td>Communications and design (UNHCR)</td>
<td>-</td>
<td>-</td>
<td>6 047</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 281</td>
<td>10 328</td>
</tr>
<tr>
<td>Communications, design and printing (UNICEF)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42 997 085</td>
<td>51 320 626</td>
<td>52 350 190</td>
<td>-</td>
<td>146 667 901</td>
</tr>
<tr>
<td>Feasibility and economic analysis services (UNOPS)</td>
<td>-</td>
<td>3 000 845</td>
<td>2 575 801</td>
<td>5 498 119</td>
<td>8 822 672</td>
<td>6 837 034</td>
<td>-</td>
<td>26 734 471</td>
</tr>
<tr>
<td>Project management services (UNOPS)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 872 278</td>
<td>2 011 569</td>
<td>-</td>
<td>3 883 847</td>
<td></td>
</tr>
<tr>
<td>Audit, accounting and financial services (UNOPS)</td>
<td>-</td>
<td>2 641 019</td>
<td>3 048 397</td>
<td>5 399 945</td>
<td>2 828 358</td>
<td>11 504 424</td>
<td>-</td>
<td>25 422 143</td>
</tr>
<tr>
<td>Packing service for food baskets (UNRWA)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 147 985</td>
<td>648 785</td>
<td>7 462</td>
<td>84 500</td>
<td>1 888 732</td>
</tr>
<tr>
<td>Daily subsistence allowance, bank charges and administrative fees (UN-Women)</td>
<td>-</td>
<td>7 875</td>
<td>-</td>
<td>28 916</td>
<td>5 690</td>
<td>253 375</td>
<td>295 856</td>
<td></td>
</tr>
<tr>
<td>Back office first level support (UPU)</td>
<td>486 141</td>
<td>530 744</td>
<td>571 507</td>
<td>576 923</td>
<td>555 838</td>
<td>605 076</td>
<td>654 397</td>
<td>3 980 625</td>
</tr>
<tr>
<td>Business analysis, software development and quality assurance (off-site (UPU)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38 046</td>
<td>38 046</td>
</tr>
<tr>
<td>Other (WFP)</td>
<td>12 484 679</td>
<td>6 901 551</td>
<td>8 117 297</td>
<td>6 015 418</td>
<td>4 753 946</td>
<td>7 861 188</td>
<td>7 319 067</td>
<td>53 453 146</td>
</tr>
<tr>
<td>Cash and vouchers-related expenses (WFP)</td>
<td>478 595</td>
<td>511 397</td>
<td>957 980</td>
<td>2 703 466</td>
<td>2 184 637</td>
<td>179 765</td>
<td>38 278</td>
<td>7 054 119</td>
</tr>
<tr>
<td>Food-related expenses (transformation) (WFP)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 966 101</td>
<td>1 764 374</td>
<td>1 464 756</td>
<td>2 660 631</td>
<td>7 855 862</td>
</tr>
<tr>
<td>Archival scanning services (WIPO)</td>
<td>185 185</td>
<td>32 432</td>
<td>266 162</td>
<td>747 112</td>
<td>798 564</td>
<td>766 277</td>
<td>-</td>
<td>2 795 732</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>140 578 084</td>
<td>205 050 944</td>
<td>85 558 005</td>
<td>96 555 909</td>
<td>108 332 835</td>
<td>124 998 636</td>
<td>120 216 503</td>
<td>881 290 916</td>
</tr>
</tbody>
</table>

Source: Corporate questionnaire and follow-up questionnaire responses from JIU participating organizations.
Annex VII

Outsourcing principles

Asia Securities Industry and Financial Markets Association

Principle 1 – Prohibition of outsourcing

Outsourcing should not be prohibited given the various benefits it brings... through economies of scale, specialization and realization of costs benefits from comparative advantage. However, appropriate due diligence should be carried out when selecting service providers and the firm should monitor performance on an ongoing basis. In addition, firms should adopt risk management proportional to the nature, scale and complexity of the outsourcing arrangements and remain accountable for the outsourced activities.

Principle 2 – Definition of outsourcing

...It is valuable to provide an inclusive express list of examples of outsourced services and exceptions to what is considered outsourcing. Regulators should seek to align what they define as outsourcing, otherwise the same practice in different jurisdictions is regulated inconsistently which makes adopting a group and region wide approach to outsourcing difficult.

Principle 3 – Materiality

Regulation of outsourcing arrangements should be predicated on a threshold that the arrangement is material. A pragmatic approach should be applied when determining if outsourcing arrangements are material and, if so, trigger additional outsourcing regulatory requirements.

Principle 4 – Intra-group outsourcing

A reduced assessment is considered sufficient for intra-group outsourcing arrangements.

Principle 5 – Regulatory approvals/notifications

Regulators should not require pre-notification or approval for material outsourcing arrangements. Rather, a regulated entity that commences a material outsourcing arrangement should keep an inventory of the arrangement, that should be available to the regulator upon request. If regulators are not content with this proposal, a regulated entity that commences a material outsourcing arrangement should notify its regulator of the commencement of the arrangement as soon as possible thereafter.

Principle 6 – Inventory of outsourcing arrangements

A complete and accurate inventory or centralized list of material outsourcing arrangements should be maintained by a regulated firm, together with any outsourcing agreements and the firm should review that inventory on a regular basis to ensure it is accurate and up to date. The regulator should provide some minimal guidance on the contents of the inventory. There should be some flexibility as to whether such an inventory is kept at a group or local level, as long as it is available to the regulator upon request. International standard setters should seek agreement among regulators on the contents of such inventories.

Principle 7 – Audit requirements

A regulated firm’s internal audit function must periodically review the risk management controls over material outsourcing arrangements and report to the Board, Board audit committee or relevant risk management or governance organ of the firm, as appropriate. A firm can choose to use external auditors if they wish.
Principle 8 – Governance and accountability
The Board and senior management of the regulated firm should retain full accountability for discharging all of its responsibilities in relation to any material outsourcing arrangement. The Board and senior management cannot delegate responsibility to the service provider. Risk assurance proportional to the nature, scale and complexity of the outsourcing arrangement should be carried out.

Principle 9 – Incident notification and business continuity planning
Regulated firms should promptly notify the regulator of any material issues or changes that have the potential to materially affect a material outsourcing arrangement and, as a consequence, materially affect the business operations, customers, profitability or reputation of the regulated firm. This should be done under general incident notification requirements if they exist, rather than replicating it in a separate incident notification requirement specific to outsourcing.

Basel Committee on Banking Supervision – The Joint Forum

Principle 8 – Regulators should assure themselves by appropriate means that any outsourcing arrangements do not hamper the ability of a regulated entity to meet its regulatory requirements.
Principle 9 – Regulators should be aware of the potential risks when the outsourced activities of multiple regulated entities are concentrated within a limited number of service providers.

Technical Committee of the International Organization of Securities Commissions

Principle 5 – Termination procedures
Outsourcing with third party service providers should include contractual provisions relating to the termination of the contract and appropriate exit strategies.

---

b Outsourcing in Financial Services. Available at www.bis.org/publ/joint12.pdf
## Annex VIII

### Services for potential future outsourcing, rationale and risks

<table>
<thead>
<tr>
<th>Organization</th>
<th>Services for potential future outsourcing</th>
<th>Reasons for outsourcing</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAO</td>
<td>Financial services</td>
<td>Efficiency, reach, capacity, close to clients, specialized core business, offloading financial risks</td>
<td>Residual financial, reputational, legal (regarding sanction regimes, international fund flows, etc.), fraud and collusion</td>
</tr>
<tr>
<td></td>
<td>Auditing services</td>
<td>Increased use of operational partners will require increased global audit services for capacity assessments, spot checks and audits</td>
<td>Minimum quality standards (over time and across countries), reputational risks and collusion</td>
</tr>
<tr>
<td></td>
<td>Comprehensive ICT development, operational and security support</td>
<td>Not to depend on individuals, source more effectively and manage more efficiently, acquire technical skills not readily available within the organization, cost savings, source more effectively</td>
<td>ICT: expensive, less flexibility and requirements not clearly defined initially</td>
</tr>
<tr>
<td>ILO</td>
<td>Reference checking and screening of internal candidates in relation to e-recruitment; benefits administration and management</td>
<td>Outsourcing procurement for tail spend may offer opportunities for significant gains</td>
<td>Non-compliance with the regulations, rules and procedures by outsourced entities</td>
</tr>
<tr>
<td>United Nations</td>
<td>Outourced procurement</td>
<td>All: not UNESCO core business Security: increased flexibility, potential cost reduction Catering: specific staffing profiles and training needed, address fluctuating needs in quantity of services Facilities: changing and punctual needs for temporary staff</td>
<td>All: flexible contractual arrangements have to be identified Security: objections from staff, Member States and staff associations, security risk due to reduced level of control Catering: contractual arrangements may not be flexible enough Facilities: too much rotation may harm the image of the organization</td>
</tr>
<tr>
<td>UNESCO</td>
<td>Security services, catering, and facilities management for conferences</td>
<td>All: to acquire technical skills not readily available within the organization, including accessing state-of-the-art technologies and expertise or acquiring needed flexibility to meet quickly changing circumstances; to achieve cost savings</td>
<td>Human resources: lose control of a sensitive process without keeping up with required quality standards Financial: fraud risk Procurement: lose control of such a sensitive process without being able to transfer the reputational risk associated with possible mismanagement</td>
</tr>
<tr>
<td>UNHCR</td>
<td>Human resources, financial services and procurement services</td>
<td>Inventory: lower costs Vendor evaluation: economies of scale, specialized service providers Procurement: lower costs, focus on core activities</td>
<td>All: Reputational and operational, in case of low-quality services</td>
</tr>
<tr>
<td>UNICEF</td>
<td>Inventory count for warehouses, vendor evaluation, and operations and premises-related procurement (e.g. fleet management)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNWTO</td>
<td>Archival scanning services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIPO</td>
<td>Facility management, printing shops, scanning activities, phone and mail services and conference management</td>
<td>Cost, accountability and flexibility</td>
<td>Facility: third party dependency Printing: lead time constraints Phone, mail and conference management: confidentiality</td>
</tr>
</tbody>
</table>

*Source: Corporate questionnaire and follow-up questionnaire responses from JIU participating organizations.*
## Annex IX

### Processes and procedures for outsourcing

<table>
<thead>
<tr>
<th>Organization</th>
<th>Cost-benefit analysis</th>
<th>Methodology for cost-benefit analysis</th>
<th>Vendor selection criteria</th>
<th>Contract monitoring procedures</th>
<th>Performance assessment criteria</th>
<th>Contract renewal criteria</th>
<th>Centralized electronic repository</th>
<th>Database or roster of entities</th>
<th>Lessons learned register</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Y/N</td>
<td>CCR</td>
<td>Y/N</td>
<td>ACR</td>
<td>Y/N</td>
<td>ACR</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>FAO</td>
<td>Y</td>
<td>Y</td>
<td>Y/N</td>
<td>ACR</td>
<td>Y/N</td>
<td>ACR</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>ICAO</td>
<td>-</td>
<td>-</td>
<td>Y/N</td>
<td>ACR</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ILO</td>
<td>Y</td>
<td>Y</td>
<td>Y/N</td>
<td>ACR</td>
<td>Y/N</td>
<td>ACR</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>IMO</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>ITU</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>Y</td>
<td>-</td>
<td>Y</td>
<td>-</td>
<td>N</td>
</tr>
<tr>
<td>United Nations</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>UNAIDS</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNDP</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNEP</td>
<td>Y</td>
<td>Y</td>
<td>-</td>
<td>-</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNESCO</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y/N</td>
<td>N</td>
</tr>
<tr>
<td>UNFPA</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNHCR</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNICEF</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>UNIDO</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>UNOPS</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UNRWA</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y/N</td>
<td>N</td>
<td>-</td>
<td>Y/N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UN-Women</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>UNWTO</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>UPU</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>WFP</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>WIPO</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>WHO</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>WMO</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>-</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
</tbody>
</table>

**Source:** Corporate questionnaire and follow-up questionnaire responses from JIU participating organizations.  
**Abbreviations:** Y, yes; N, no; ACR, applied consistently and regularly; CCR, conducted consistently and regularly.
### Risks associated with outsourcing

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description of risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access risk</td>
<td>Outsourcing arrangements that hinder an organization’s ability to provide timely data or information to oversight entities and governing bodies.</td>
</tr>
<tr>
<td>Compliance risk</td>
<td>The risk arising from violations of laws (including privacy laws), rules or regulations, or from noncompliance with an organization’s internal policies, procedures or business standards, often due to inadequate compliance systems and controls on the part of the vendor. Such risk is closely associated with trust and reputation and is about treating clients and the public fairly and giving objective and trustworthy information.</td>
</tr>
<tr>
<td>Concentration and systemic risk</td>
<td>Occurs when the overall industry has significant exposure to an outsourced vendor. Concentration risk has a number of facets, which include organizations’ lack of control over the vendor and systemic risks to the industry as a whole.</td>
</tr>
<tr>
<td>Contractual risk</td>
<td>The ability of an organization to enforce a contract with a vendor. For outsourcing to other countries, existing local laws become critical.</td>
</tr>
<tr>
<td>Country risk</td>
<td>The political, social and legal climate may create added risk. Country risk is the exposure to economic, social and political conditions and events in a foreign country that may adversely affect the ability of a cross border vendor to meet the level of service required by the arrangement.</td>
</tr>
<tr>
<td>Cyber risk</td>
<td>Risk derived from the handling and transferring of proprietary information with the support of information technology. Cyber risks may be particularly relevant to manage and mitigate in outsourcing, as it is dependent on the safe and effective exchange of information between two parties.</td>
</tr>
<tr>
<td>Exit strategy risk</td>
<td>The risk that appropriate exit strategies are not in place. This could arise from overreliance on one firm, the loss of relevant skills and institutional memory preventing the organization from bringing the activity back in-house, and contracts that make a speedy exit prohibitively expensive.</td>
</tr>
<tr>
<td>Legal risk</td>
<td>Includes but is not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements due to omissions and commissions of the service provider.</td>
</tr>
<tr>
<td>Operational risk</td>
<td>The risk of loss resulting from inadequate or failed internal processes, people, systems or external events. It can include technology failure, inadequate financial capacity to fulfil obligations or provide remedies, fraud and error. Such risks are unpredictable and challenging for organizations to evaluate before they materialize and are often costly to manage.</td>
</tr>
<tr>
<td>Reputational risk</td>
<td>The risk arising from negative public opinion that can emanate from: unsatisfactory vendor performance; unexpected financial loss; violations of laws and regulations; and unsatisfactory vendor interactions and practices vis-à-vis the organization’s stated standards and practices.</td>
</tr>
<tr>
<td>Strategic risk</td>
<td>The vendor may conduct activities on its own behalf that are inconsistent with the overall strategic goals of the organization. The organization may fail to implement appropriate oversight of the outsourcer provider, possibly due to inadequate expertise to do so.</td>
</tr>
<tr>
<td>Transaction risk</td>
<td>Risk arising from problems associated with service delivery. It involves a failure to perform as expected due to inadequate capacity, technological failure, human error or fraud.</td>
</tr>
</tbody>
</table>

**Sources:**
Training sessions relevant to outsourcing delivered by organizations between 2012 and 2018

<table>
<thead>
<tr>
<th>Organization</th>
<th>Training sessions provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAO</td>
<td><strong>Title of training session:</strong> Procurement Process. <strong>Developed by:</strong> Procurement Service. <strong>Delivery mode:</strong> Online, in-person. <strong>Key issues covered:</strong> Procurement policy and procedures.</td>
</tr>
<tr>
<td>ILO</td>
<td><strong>Title of training sessions:</strong> Introduction to ILO Procurement; ILO Procurement for Managers; ILO Procurement for Operational Staff; Informal Competitive Bidding; Workshop for Members of Local Procurement Review Committees. <strong>Developed by:</strong> Procurement Bureau and external consultant. <strong>Delivery mode:</strong> In-person, online, webinar. <strong>Key issues covered:</strong> Relevant rules and procedures, ethics. <strong>Number of people trained:</strong> 500 (approximate).</td>
</tr>
<tr>
<td>United Nations</td>
<td><strong>Title of training sessions:</strong> Fundamentals of United Nations Procurement; Ethics and Integrity in Procurement; Best Value for Money; Overview of the Procurement Manual; Acquisition Planning; Contractual Issues in Purchasing; Contract Management. <strong>Developed by:</strong> Procurement Division. <strong>Delivery mode:</strong> Online module. <strong>Number of people trained:</strong> 11,889 certificates for individual courses issued to 4,168 users.</td>
</tr>
<tr>
<td>UNAIDS</td>
<td><strong>Title of training session:</strong> Procurement Training for Administrative Assistants. <strong>Developed by:</strong> Financial Resources Management Division. <strong>Delivery mode:</strong> In-person. <strong>Key issues covered:</strong> Procurement policy and procedures.</td>
</tr>
<tr>
<td>UNAIDS, UNDP, UNESCO, UNFPA, UNRWA, UN-Women, WMO</td>
<td><strong>Title of training sessions:</strong> Introductory Certificate in Public Procurement (Accredited by the Chartered Institute of Procurement and Supply, Level 2); Advanced Certificate in Public Procurement (Accredited by the Chartered Institute of Procurement and Supply, Level 3); Diploma in Strategic Public Procurement (Accredited by the Chartered Institute of Procurement and Supply, Level 4). <strong>Developed by:</strong> Chartered Institute of Procurement and Supply and in-house training units. <strong>Delivery mode:</strong> Online module, webinars, five-day in-person course. <strong>Key issues covered:</strong> Procurement processes, methodology and strategy; contract management; risk management; managing expenditures, negotiations. All levels tailored to reflect common United Nations and public procurement rules, policies and procedures. <strong>Number of people trained:</strong> UNDP: 447 (Level 1), 1,500 (Level 2), 400 (Level 3), 250 (Level 4). UNESCO: 5-20 per level; UN-Women: 339.</td>
</tr>
<tr>
<td>UNDP</td>
<td><strong>Title of training sessions:</strong> Procurement Strategy Development; Contract and Supplier Relations Management; Supply Chain Management in Humanitarian Organizations; Risk Management in Contracting for Construction Services; Effective Negotiations in Projects and Procurement; Contracting and Management of Individual Contractor’s; Incoterms 2010 – How to use Commercial Terms in Procurement; Effective Programme and Procurement Teamwork; Introduction to Sustainable Public Procurement; Anti-Corruption and Ethics in Procurement.</td>
</tr>
<tr>
<td>UNEP</td>
<td><strong>Title of training session:</strong> UMOJA Buyer Supervisor Training. <strong>Developed by:</strong> United Nations.</td>
</tr>
<tr>
<td>UNHCR</td>
<td><strong>Title of training session:</strong> Supply Chain Learning Programme Certification.</td>
</tr>
<tr>
<td>UNICEF</td>
<td><strong>Title of training sessions:</strong> Procurement at UNICEF; Contracting for Services. <strong>Developed by:</strong> Supply Division. <strong>Delivery mode:</strong> Online course, in-person workshop. <strong>Key issues covered:</strong> Foundational knowledge to undertake the procurement of goods and services in accordance with the standards and good practices defined in the Supply Manual, as well as critical issues faced in contracting for services. <strong>Number of people trained:</strong> Procurement at UNICEF: 292 (2018); Contracting for services: 378 (2018).</td>
</tr>
<tr>
<td>UNIDO</td>
<td><strong>Title of training session:</strong> Procurement Training. <strong>Developed by:</strong> Procurement Services Division. <strong>Delivery mode:</strong> Online, Skype, classroom.</td>
</tr>
<tr>
<td>UNOPS</td>
<td><strong>Title of training session:</strong> Procurement Operations Training; Ethics and Fraud Prevention in Procurement. <strong>Developed by:</strong> Procurement Group. <strong>Delivery mode:</strong> In-person, online modules. <strong>Key issues covered:</strong> All operational aspects of UNOPS procurement policies and procedures and procurement cycle; exercises and case studies done in working groups. <strong>Number of people trained:</strong> 1,000 (approximately).</td>
</tr>
<tr>
<td>WIPO</td>
<td><strong>Title of training session:</strong> Developing Key Performance Indicators; Monitoring of Supplier Performance in Order to Obtain Best Value for Money.</td>
</tr>
</tbody>
</table>

*Source: Corporate questionnaire and follow-up questionnaire responses from JIU participating organizations.*
Annex XII

Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit

JIU/REP/2019/9

<table>
<thead>
<tr>
<th>Report</th>
<th>Intended impact</th>
<th>United Nations and its funds and programmes</th>
<th>Specialized agencies and IAEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>For action</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recommendation 1</td>
<td>f</td>
<td>E E E E E E E E E E E E E E E E</td>
<td></td>
</tr>
<tr>
<td>Recommendation 2</td>
<td>i</td>
<td>L L L L L L L L L L L L</td>
<td></td>
</tr>
<tr>
<td>Recommendation 3</td>
<td>b</td>
<td>E E E E E E E E E E E E E E E E E E E E</td>
<td></td>
</tr>
<tr>
<td>Recommendation 4</td>
<td>a, f, g</td>
<td>E E E E E E E E E E E E E E E E E E E E</td>
<td></td>
</tr>
<tr>
<td>Recommendation 5</td>
<td>h</td>
<td>E E E E E E E E E E E E E E E E E E E E</td>
<td></td>
</tr>
<tr>
<td>Recommendation 6</td>
<td>h</td>
<td>E E E E E E E E E E E E E E E E E E E E</td>
<td></td>
</tr>
<tr>
<td>Recommendation 7</td>
<td>a, h</td>
<td>E E E E E E E E E E E E E E E E E E E E</td>
<td></td>
</tr>
</tbody>
</table>

Legend:  
L: Recommendation for decision by legislative organ  
E: Recommendation for action by executive head  
#: Recommendation does not require action by this organization  
Intended impact:  
a: enhanced transparency and accountability  
b: dissemination of good/best practices  
c: enhanced coordination and cooperation  
d: strengthened coherence and harmonization  
e: enhanced control and compliance  
f: enhanced effectiveness  
g: significant financial savings  
h: enhanced efficiency  
i: other.