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ENHANCED TRANSPARENCY, STRENGTHENED ACCOUNTABILITY NEEDED, AS UNITED NATIONS

PROCUREMENT GROWS IN SIZE, COMPLEXITY, BUDGET COMMITTEE TOLD

With United Nations procurement amounting to \$1.8 billion in 2005, speakers in the Fifth Committee (Administrative and Budgetary) this morning reiterated the pressing need to reform the United Nations procurement system, which required strengthened internal controls and transparent management to match the growing dimensions of its work.

The representative of the Republic of Korea was among the delegates who noted that a recent surge in peacekeeping had led to rapid increases in the volume and complexity of procurement. Furthermore, recent cases of alleged mismanagement and

fraud had demonstrated all too clearly why the system needed to become much more transparent. Considering that the United Nations was likely to be engaged in a high volume of peacekeeping in the foreseeable future, there was a pressing need to deal with those issues thoroughly. Partnership within the United Nations system had great potential to enhance system-wide economies and stability of supplies.

The representative of Finland, on behalf of the European Union and associated States, fully supported measures to strengthen internal controls in order to enhance transparency and accountability. She welcomed measures to segregate duties from processes in order to avoid conflicts of interest, which would promote integrity and ethics within the Organization, and hoped that the ethics guidelines for procurement staff would be expeditiously issued in all working languages. She also stressed that the Procurement Service should have adequate resources to implement reforms, and regretted the temporary nature of the General Temporary Assistance posts authorized by the General Assembly in July, calling for permanent resources to be committed.

New Zealand's representative, also speaking on behalf of Australia and Canada, sought assurance that the United Nations procurement function had the guidelines and tools to undertake the work expected from it. Some important steps had already been taken and more were under way, including in the areas of ethics, training and improvements in processes. He welcomed those steps, but cautioned that further meaningful improvements would not be achieved solely through the addition of posts. It would be useful to have an overview of procurement reforms to be presented to Member States.

Agreeing with the Advisory Committee's assessment that procurement processes remained unduly slow and involved duplicative steps, Viet Nam's representative urged more concerted efforts to streamline and simplify all related procedures, taking into account best practices worldwide, to enhance transparency and increase efficiency of the whole process.

Like many other speakers, he also insisted on measures to increase participation of developing countries and economies in transition, which still remained at just over 40 per cent of the total procurement value. That had been a big disappointment to the developing countries, whose overall competitiveness had improved substantially over the same period of time. In order to ensure truly fair opportunities for vendors from developing countries, the Secretariat needed to pay more attention and earmark more resources to capacity-building in developing countries, such as holding business seminars

on the procurement process and dissemination of procurement information in local languages.

In that connection, Guyana's representative, speaking on behalf of the Rio Group, welcomed the seminars to promote United Nations procurement in developing countries, but insisted on more concrete measures to achieve that goal. He also welcomed the revision of terms and conditions for tenders, which should be transparent, consistent and non-discriminatory. He appreciated the strengthening of the Vendor Review Committee and of the vendor roster. Planning and coordination were indispensable for an efficient and effective procurement system. It reduced costs and eliminated the need for exceptions. In that connection, he noted with concern that, despite repeated indications by various evaluators over the years, the situation had not been properly addressed.

The representative of Pakistan offered additional details on the challenges faced by companies in developing countries and countries with economies in transition seeking to participate in United Nations System procurement. He said that the capitalization of peacekeeping missions in Africa by North American and European companies severely affected opportunities at the local level, and he, therefore, called for enhancement of local benchmarking and joint sourcing for procurement of basic services and goods. Additionally, he said there was a need for full compliance with complete assessment of progress and final performance to sort out vendors that had thrived on inside information and violation of established procedures.

At the same time, Algeria's representative cautioned against efforts to create the widespread impression that the Organization was a centre of incompetence and dubiousness, which could be the outcome of debate about procurement reform. He and other delegations noted the concern that the use of consultants from Deloitte and Touche could call into question the credibility of oversight mechanisms within the Organization, and he believed the costs and fees of the consultants could be better used for economic and social development. Finally, he warned that using the best value for money principle "pure and simple leaves out developing countries" from participating in procurement opportunities.

Other matters discussed today included governance of procurement, coordination between the Department of Management and the Department of Peacekeeping Operations regarding procurement, ethics training for procurement staff, and the need to update the current field procurement system.

Also participating in the debate were representatives of South Africa (for the “Group of 77” developing countries and China), Brazil, Saudi Arabia, United States, Japan, Singapore, Sudan, Iran, Nigeria and the Russian Federation. The reports before the Committee were introduced by Muhammad Yussuf of the Joint Inspection Unit and Kenneth Herman, Senior Adviser on Information Management Policy Coordination of the Secretariat of the United Nations Chief Executives Board for Coordination. United Nations Controller Warren Sach provided responses to the delegates’ questions.

The Committee will take up the United Nations common system at 10 a.m. Wednesday, 25 October.

Background

The Fifth Committee (Administrative and Budgetary) met this morning to take up the Organization’s procurement system.

The Committee had before it the Secretary-General’s report on procurement reform (document A/60/846/Add.5), which describes measures implemented by the Secretariat in response to several Assembly resolutions, as well as initiatives undertaken pursuant to the initial report of the Secretary-General on investing in the United Nations. The report also takes into account a study by an outside consultant on internal controls of procurement, which was undertaken in 2005.

In the report, the Secretary-General covers three main themes: strengthening of internal control measures; optimizing United Nations acquisition and procurement management; and strategic management of United Nations procurement. According to the document, the value of procurement has increased significantly over the past two years: from \$1.01 billion to \$1.77 billion, due to the unprecedented surge in peacekeeping operations. That poses severe pressure on the staff of the Procurement Service, as well as the procurement staff in the peacekeeping missions.

The Secretary-General presents strategic reform actions focusing on: strengthening internal control measures; optimization in acquisition management; and strategic management of procurement. The report includes measures that will be pursued over the next 18 months subject to the availability of resources. Also, having reviewed findings and recommendations of the report on the internal control in procurement and the Office of Internal Oversight Services (OIOS) audit of field procurement, the Secretariat has taken swift action to implement recommendations to further strengthen internal controls.

It should be recognized, according to the report, that, with the current and anticipated workload, present resources allocated are not sufficient to effectively meet the medium- to long-term requirements of the Organization. The injection of additional resources will ultimately lead to a goal of regaining trust, improving efficiency and cost-effectiveness of the procurement system with a strengthened internal control mechanism.

In total, in the context of the report, the Secretary-General is requesting approval of some \$5.15 million, comprising \$3.19 million recommended for deferral in the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the support account, \$1.93 million in additional resources requested for the support account in the report of the Secretary-General on procurement reform (document A/60/846/Add.5) and \$29,100 under the regular budget. As to staffing requirements, the Secretary-General is seeking approval of 20 posts and two positions funded under general temporary assistance, which had been requested in the proposed budget of the support account. He also recommends approval of reclassification of the D-1 Chief of Procurement post to the D-2 level.

The Advisory Committee on Administrative and Budgetary Questions, in a related report (document A/60/904), states that, while there has been an emphasis on dealing with urgent internal control issues, other aspects of procurement reform are not as well developed. Concerning internal controls, the Advisory Committee observes that segregation of duties and processes, such as a structural reorganization of the Committee on Contracts' reporting requirements and establishment of an independent bid protest system, are welcome measures to avoid conflicts of interest and increase transparency.

In the area of ethics and integrity, a conflict between new ethical guidelines and staff rules is in need of resolution, and once it is corrected, the ACABQ calls for the guidelines to be issued expeditiously and in all working languages. Regarding management and staffing, it notes with interest development of a career path programme

for procurement staff, as well as plans for lateral reassignment within the Procurement Service to ensure that staff do not deal with the same vendors for an extended period of time. The Committee requests inclusion of information on required professional qualifications for 400 procurement staff, including certification, in the upcoming report on human resources management reform. The ACABQ also notes that current procurement processes are unduly slow and duplicative, and seeks efficient delivery of services.

Turning to governance, the Advisory Committee takes note of possible weaknesses resulting from the split of responsibilities between the Department of Management and the Department of Peacekeeping Operations. A dedicated capacity within the Department of Peacekeeping Operations has been proposed by the Secretary-General, and the secretariat for the Headquarters Committee on Contracts now reports to the Office of the Under-Secretary-General for Management to reduce conflicts of interest. The ACABQ urges completion on time of a review of the financial threshold of proposed procurement requirements that should be vetted by the Committee on Contracts.

For the optimization of procurement performance, the Advisory Committee encourages the Secretariat to benefit from the experience of other organizations of the United Nations system and highlights the usefulness of the Inter-Agency Working Group on Procurement. And, the Committee says that consideration of a career development framework for procurement staff and increasing procurement opportunities and participation of vendors from developing countries and economies in transition is better placed in the context of the report on human resources reform. The Advisory Committee also requests a statistical analysis on trends in procurement from developing countries and countries in transition for 2001 to 2005 and encourages the Secretariat to explore additional ways to promote procurement from those countries beyond the current business seminars among potential vendors.

In connection with the Secretary-General's staff requirements, the Advisory Committee recommends deferring action on the 20 requested posts pending issuance of a follow-up report. The proposals for procurement reform require further development, but additional resources are urgently needed to move that process forward and to continue to deal with the identified deficiencies, so the Advisory Committee recommends approval of the requested resources.

The report of the Joint Inspection Unit on procurement practices within the United Nations system(document A/59/721) explores various opportunities for increasing

efficiency of United Nations procurement, including through productivity enhancement, improved inter-agency cooperation and coordination and technological innovation. It also raises issues associated with procurement services within the United Nations system, while recognizing that procurement is no longer considered to be an obscure administrative activity but a high-profile and high-risk function, which accounted in 2002 for about \$4.6 billion, or 37 per cent of the Organizations' combined regular and extrabudgetary resources.

Contained in the addendum to the Joint Inspection Unit report (document A/59/721/Add.1) are comments thereon of the Secretary-General and the United Nations System Chief Executives Board for Coordination. Members of the Board are generally in agreement, with certain reservations, with the findings and the recommendations of the Unit concerning rationalization of processes, establishment of unified reporting and accountability, training of staff, use of procurement manuals, common services, electronic methods and capacity-building in public procurement agencies in recipient countries.

Introduction of Joint Inspection Unit Report

At the opening of the meeting, the Committee was reminded that the Secretary-General's detailed report on procurement reform (document A/60/846/Add.5) and a related ACABQ report (document A/60/904) had been introduced at a meeting on 28 June.

MUHAMMAD YUSSUF, Inspector of the Joint Inspection Unit, then introduced that body's report on the matter, via videoconferencing. He said that the Secretary-General's report focused mainly on the procurement operations at Headquarters and offices away from Headquarters, including peacekeeping operations, while the Unit's report covered all the organizations of the United Nations system. The Unit focused on strategic issues most likely to contribute to the cost-effectiveness of procurement, including cooperation and coordination, electronic procurement and capacity-building.

The report recommended that emphasis be placed on training and electronic procurement methods (e-procurement) and on technical assistance in support of capacity-building for public procurement in developing countries and countries with economies in transition, he continued. Yet another major finding was that procurement activities of

various organizations currently did not have the benefit of central policy guidance, despite the steady and significant growth in their financial value over the years. While some recent improvements must be acknowledged, such as Lead Agency Concept or Common Supply Database and Portal, unfortunately, both the Inter-Agency Procurement Working Group mechanism and Inter-Agency Procurement Services Office had an ill-defined status and suffered from an identity problem.

The Working Group remained an informal forum without policy or legislative oversight, while the Office remained more a United Nations Development Programme (UNDP) entity than an inter-agency procurement facility, he said. The report, therefore, recommended that the Secretary-General review the feasibility and efficiency benefits of consolidating the overhead structures and costs of procurement services. The Unit also suggested that efforts be made to strengthen collaboration and avoid overlap between the United Nations Office for Project Services (UNOPS) and the Procurement Service Office, including their possible merger. UNOPS had since informed the Joint Inspection Unit that its senior management would meet on 29 November to examine ways and means of implementing that recommendation, especially with regard to the future role of the Procurement Service Office in a post-merger management framework.

E-procurement was seen by virtually all the organizations as offering potential benefits for bringing the procurement function to world-class standards, he continued. Importantly, revised financial regulations and rules of most United Nations system organizations, which allowed for electronic procurement, including electronic signatures, had also contributed to the efficient use of e-procurement. However, there was still a long way to go, and the report made recommendations in that regard. The document also discussed the ways and means by which the organizations could use procurement as a development tool in the recipient countries.

KENNETH HERMAN, Senior Adviser on Information Management Policy Coordination of the Secretariat of the United Nations Chief Executives Board for Coordination, introduced the comments of the Secretary-General on the Joint Inspection Unit report. While welcoming the comprehensive nature of the analysis presented in the report, the organizations of the system had a mixed response to some recommendations of the Unit, including the call to strengthen the work of the Inter-Agency Procurement Working Group. Board members found most of that recommendation acceptable, with the exception of one part that called for the formalization of the mandate of the Group. Board members believed that formalizing its mandate or increasing the formality of the Group and its reporting would not add any value to its operation. Board members also differed with the Unit on the recommendation that the Working Group should adopt the concept of “lead agencies” intended to enhance the division of labour amongst

organizations and reduce duplication. Among other concerns, organizations pointed out that acting as a lead agency placed a significant burden on the executing agency, and many organizations were simply not in a position to assume such activities on a regular basis. Some Board members had noted that, in some cases, the procurement activity should be considered a strategic, rather than a routine, function.

In some cases, notably recommendation 4, regarding legal support, and recommendation 5, on training, organizations of the system not only accepted the recommendations, but implementation had already begun, he added. On a more general note, organizations of the system had expressed reservations regarding the method of analysis used by the Unit to measure cost-effectiveness of procurement services. They also believed more work needed to be done on the benchmarks used to measure the efficiency of procurement efforts. The members of the Board agreed with the report's overall message that more could be done to improve the system-wide harmonization of procurement policies and practices.

Statements

KAREN LOCK (South Africa), speaking on behalf of the "Group of 77" developing countries and China, recalled that the remaining reports on this agenda item had been introduced to the Fifth Committee two days prior to the close of its second resumed session. While Member States recognized that temporary resources should be approved as an interim measure, the significant sums involved in procurement and the risk it presented meant that the discussion should not be rushed.

She concurred with the Advisory Committee's observation that the Secretary-General's report on procurement reform only focused on internal controls, while optimising acquisition and procurement management and strategic management of United Nations procurement had not been well developed. She regretted the impression given by the external consultant that controls had failed. In fact, she said, the United Nations Procurement Service's past upgrades of internal controls suggested concerns with the accuracy of the findings of the external consultant. Also, many issues raised by the report were not new, but had been discussed in the Fifth Committee for many years and many existing recommendations had not been implemented in full. She said the Group of 77 intended detailed deliberation on proposals contained in this report and others that should have been addressed by now. She said the Joint Inspection Unit's study was an example of its valuable work, and raised the question of why external consultants had been hired.

She said the Group of 77 welcomed the creation of the Ethics Office, the whistleblower protection policy, and the suggested programmes for ethics training, and also endorsed and expected application of the supplier code of conduct in a consistent, universal, non-discriminatory and transparent manner. She worried that the independent bid protest system could be misused by vendors, and also said that the conflict between ethics guidelines and staff rules needed to be resolved as early as possible. The emphasis on procurement staff training was important, as staff needed to be adaptive to the challenges resulting from the growth of procurement and its complexity, and she, therefore, looked forward to detailed discussions on proposals to rotate staff and develop a strategic career development programme for procurement staff in the context of human resources management reform. She wondered if the continued instances of systemic and human failures in the procurement system meant that the focus was on symptoms and not root causes in procurement review, but still encouraged the Secretariat to expeditiously review procurement rules and procedures.

She warned that efficiency and effectiveness would be nullified without ensuring a high degree of accountability in procurement processes, especially in light of the delegation of procurement authority to the Department of Peacekeeping Operations and field missions. She called for close coordination between peacekeeping and the Department of Management, and awaited the report of the working group established to study the weaknesses in the control environment due to the splitting of responsibilities between the two. She sought clarification on why the Secretariat had earlier disputed a recommendation on proposed changes in the reporting line for the Headquarters Committee on Contracts from the Office of Central Support Services to the Office of the Under-Secretary-General for Management, to avoid conflict of interest. She then said any initiative on information systems must take into account the proposed replacement of the Integrated Management Information System with the Enterprise Resource Planning System, as well as the implementation of a comprehensive information and communication technology strategy.

She took note of the proposals to implement a global contract system, improve compliance with procurement planning, and utilize the best value for money principle and e-procurement. She added that those issues were not new and did not require a professional consultant to state the obvious. As the General Assembly had not agreed to the lead agency concept, she awaited a detailed proposal, including an assessment of internal controls of relevant United Nations entities and how procurement reforms would apply to them. She also called for consistency in the Secretariat's development of guidelines for the lead agency concept to determine specific needs and evaluate the ability of prospective vendors to meet their needs in a timely and cost-effective manner. She looked forward to the OIOS findings on the best value for money method, as there

was legitimate apprehension about its possible manipulation and use as a restrictive measure against vendors from developing countries and economies in transition.

She urged the Secretariat to explore additional ways to promote procurement from the developing countries and countries in transition, as the report had not offered concrete measures. She was dismayed that the majority of Member States only represented 34 per cent of overall procurement conducted by the United Nations, and she expressed doubt about the Secretariat's proposal of one P-3 staff to solve that long-standing request of the General Assembly. She said that the total amount of United Nations procurement could have a significant impact in some developing countries, and that expanding the number of possible vendors would result in increased competition and lower prices.

KATJA PEHRMAN (Finland), speaking on behalf of the European Union and associated States, said that procurement has increased from \$1 billion to \$1.8 billion due to the surge in peacekeeping operations. She said the Union fully supported measures to strengthen internal controls, because of the need to enhance transparency and accountability. She welcomed measures to segregate duties from processes in order to avoid conflicts of interest, which would promote integrity and ethics within the Organization, and hoped that the ethics guidelines for procurement staff would be expeditiously issued in all working languages.

She noted with satisfaction the tighter control on ex-post facto cases for review by the Committee on Contracts, as well as the ongoing implementation of best practices in industries to improve efficiency in the procurement process. She looked forward to hearing more about the diagnostic tools designed to identify anomalies in procurement transactions, the level of collaboration on procurement within the United Nations system, and efforts to clarify the organizational structure to enhance internal controls. Finally, she said the Procurement Service should have adequate resources to implement reforms, and regretted the temporary nature of the General Temporary Assistance posts authorized by the General Assembly, calling for permanent resources to be committed. She also called to hear more about the development of a formal training policy and additional funding requirements.

GEORGE TALBOT (Guyana), speaking on behalf of the Rio Group, associated himself with the position of the Group of 77 developing countries and said that the United Nations must have a procurement system that was expeditious, reliable and inclusive in order to ensure participation of vendors from all countries. It was critical to provide access to the system for developing countries and economies in transition.

Turning to specific proposals, he took note with appreciation of some measures to promote integrity, transparency and ethics in the work environment, including the establishment of the Ethics Office and implementation of the whistleblower protection policy. Other proposals, such as the supplier code of conduct and independent bid protest system, while positive, required a more careful discussion on the details. Proposed measures on management of procurement staff, including mobility, rotation and training were valuable, indeed. However, the career development framework for procurement staff must take into account the discussions on the overall human resources reform of the United Nations. Also, the ACABQ report had identified a conflict between the proposed ethics guidelines for procurement staff and staff rules and regulations. The Group called for the resolution of that situation and the issuance of the ethics guidelines in all official languages at the earliest time.

The Rio Group welcomed the revision of terms and conditions for tenders, he said. It was of utmost importance that they were transparent, consistent and non-discriminatory. He also appreciated the strengthening of the Vendor Review Committee and of the vendor roster. Planning and coordination were indispensable for an efficient and effective procurement system. It reduced costs and eliminated the need for exceptions. He noted with concern that, despite repeated indications by various evaluators over the years, the situation had not been properly addressed.

A considerable part of the procurement problem lay in its governance structure, he continued. There should be a mix of clear delegation of authority, especially in the field, and proper oversight, with accountability resting with the delegating authority. He also called for coordination between the Department of Management and the Department of Peacekeeping Operations. Another critical issue was enhancement and integration of the procurement information system, taking into account replacement of the Integrated Management Information System with the Enterprise Resource Planning System. Concerning the lead agency concept, the Group reminded to the Committee that, notwithstanding the apparent benefits of its use, there was still no General Assembly legislative mandate to implement it. He concurred with the ACABQ recommendation that the Secretariat should further develop the concept, including by evaluating the ability of prospective vendors to meet the needs in a timely and cost-effective manner. The best value for money principle also raised some questions. The Group had serious concerns about the use of that principle as a restrictive measure against vendors from developing countries and countries with economies in transition.

The Group attached great importance to improving procurement opportunities for companies in developing countries and economies in transition, he stressed. He welcomed the seminars used to promote United Nations procurement in developing countries. Nevertheless, the Secretariat should find additional methods to achieve that goal, and the Rio Group would like to see some concrete measures in that regard. He also noted with concern the ACABQ's request for further details on the statistics used to measure the data on procurement for developing countries. It might be that the current imbalance between purchases from developed and developing countries could be even larger than presented in the report.

PHILIP TAULA (New Zealand), also speaking on behalf of Australia and Canada (CANZ), said that United Nations procurement outcomes should and could be improved. Procurement reform was a key part of the wider process of management reform. The United Nations was facing an increasing number of complex challenges, especially in peacekeeping, but existing procurement processes had not kept pace with the evolving needs in the field. The resulting problems created unnecessary risks and costs, which reduced the effectiveness of the United Nations' efforts, could damage the Organization's credibility and undermined support for its operations.

He said that CANZ sought assurance that the United Nations procurement function had the guidelines and tools that it required to undertake the work expected from it. The processes should support effective implementation of United Nations mandates; provide realistic guidance and flexibility; set high standards of transparency, fairness and clear authority and accountability; and provide for disciplined internal controls. Some important steps had already been taken and more were under way, including in the areas of ethics, training and improvements in processes. CANZ welcomed those, but cautioned that further meaningful improvements would not be achieved solely through the addition of posts. It would be useful to have an overview of procurement reforms to be presented to Member States.

He also sought updates on the implementation of specific measures, including the establishment of an independent bid protest system; details on the required professional qualifications of procurement staff; progress of the working group established to examine the issue of possible weaknesses; and the outcome of the review of the financial threshold of proposed procurement requirements that should be vetted by the Headquarters Committee on Contracts. Finally, CANZ would appreciate receiving information on what additional reports on procurement should be expected in the near future.

NGUYEN TAT THANH (Viet Nam) supported the position of the Group of 77 developing countries and said that procurement had long been high on the agenda not only of the Fifth Committee, but also of the General Assembly. He welcomed the Secretary-General's report on the matter and strongly supported the various measures to strengthen internal control in the areas of ethics and integrity, management and staff, governance and information systems. With regard to procurement processes, however, he agreed with the ACABQ's assessment that the process, in general, remained unduly slow and involved duplicative steps. He urged more concerted efforts to further streamline and simplify all related procedures, taking into account best practices worldwide, to enhance transparency and increase efficiency of the whole process. Concrete steps should be taken by the Secretariat to reduce the operational workload for businesses from developing countries, especially small and medium-sized enterprises with limited experience and resources, compared to their counterparts in developed countries.

He also noted that, in conformance with relevant Assembly resolutions, increasing procurement opportunities and participation of vendors from developing countries had become more of a priority for the Secretariat. However, the share of developing countries and economies in transition in the total value of procurement had remained almost unchanged since 2001, at just over 40 per cent. That had been a big disappointment to the developing countries, whose overall competitiveness had improved substantially over the same period of time. In order to ensure really fair opportunities for vendors from developing countries, he suggested that the Secretariat pay more attention and earmark more resources to capacity-building projects in developing countries, such as holding business seminars on the procurement process and dissemination of procurement information in local languages.

BRUNO BRANT (Brazil) said the reform process should deal with promoting procurement in developing countries and countries with economics in transition, in addition to improvement of internal controls. He noted his concern with the relative decline in 2005 of procurement from developing countries. He was particularly concerned with the principle of best value for money. He said that 41 per cent of total procurement was awarded on the best value for money basis, and 80 per cent of that procurement went to developed countries. He said the principle must not result in discriminatory outcomes, and needed to be carefully discussed.

ABDELATIF DEBABECHE (Algeria) wondered about the nature of the pressure brought to bear to bring about reform of procurement services. He recalled that the "oil-for-food" scandal had nothing to do with the Organization's budget, as the programme was managed by the Security Council. He said it was regretful that the issue had been

used to bring about reform of the procurement process, and he criticized efforts to create the widespread impression that the Organization was a centre of incompetence and dubiousness.

He agreed that an Ethics Code was a good idea, but said that it should be an initial parameter for recruitment. Moreover, the report was silent on the whistleblower policy. He said that any reform that overlooked the relationship between accountability and effectiveness would fail. He added that those issues needed to be returned to when human resources reform was taken up.

He was also critical of the Secretary-General's focus on internal controls and use of consultants from Deloitte and Touche, which he said called into question the credibility of oversight mechanisms within the Organization. That approach was not objective or innocent, and he wanted to know the costs and fees of the consultants. Those funds could be better used for economic and social development, and the hiring of consultants must be reconsidered. Ultimately, he said the conclusions of the consultants' report offered nothing new.

Finally, he said that the proposal for a common supplier portal system needed to be looked at carefully, as vendors from developing countries might have difficulty gaining access. Additionally, he warned that the best value for money principle "pure and simple leaves out developing countries", and disturbingly ran against the recommendations of the Chief Executives Board. Finally, he called for creation of a body to ensure greater involvement of developing countries in e-bidding.

MANSOUR ALKARUSHI (Saudi Arabia) supported the position of the Group of 77 and said that his country attached great importance to procurement reform. He stressed the need to ensure strict oversight and proper training of procurement staff, as well as the need to punish violators of existing rules. He also called for a higher level of purchasing from developing countries. For its part, his country had participated in the seminars held by the Procurement Division and had invited its officials to visit Saudi Arabia to become aware of high-quality Saudi products and meet vendors. However, the level of purchasing from Saudi Arabia had not increased.

Continuing, he welcomed the restructuring of the Contracts Committee, which would now present its reports directly to the Under-Secretary-General for Management,

instead of UNOPS. He called for further training of procurement staff and supported the initiative for holding two training sessions a year for each staff member and assuring proper qualifications of procurement staff before hiring. He also welcomed the initiative of creating a new purchasing central department to oversee all purchases on behalf of the Department of Peacekeeping Operations.

Turning to ethics, he said that his delegation valued the efforts of the Secretary-General to ensure protection for whistleblowers. It would increase transparency and integrity in procurement. Lateral movement of purchasing officials was also important. He commended the measures on daily oversight inside procurement, including the use of closed-circuit television. The purchasing manual must remain a living document, reflecting the best practices in the public sector. In conclusion, he said that an effective system of personal accountability for procurement officials that punished all violators of existing rules would ensure transparency and credibility.

IMTIAZ HUSSAIN (Pakistan) said that the exponential growth in procurement activities and reports of impropriety were good reasons to discuss reforms during the current session, and said that the Secretary-General's external consultation for evaluation of the internal control system had unmasked systemic problems. He noted the unanimity of the oversight bodies in identifying the five key areas for reform: management and staff; procurement processes; ethics and integrity; governance; and information systems.

Although participation of developing countries in procurement opportunities in the United Nations had increased gradually in 2005, he said that a few developed and developing countries were the main beneficiaries. He said that the capitalization of peacekeeping missions in Africa by North American and European companies severely affected opportunities at the local level. He, therefore, called for enhancement of local benchmarking and joint sourcing for procurement of basic services and goods. He appreciated the outreach efforts to developing countries, and hoped they would continue. Improving registration of prospective local vendors could significantly increase the prospects of participation of developing country vendors in procurement opportunities, especially as a uniform and common technical evaluation process could eliminate inconsistencies and discrimination in the system. He added that full compliance with complete assessment of progress and final performance of vendors was needed to sort out vendors that had thrived on inside information and violation of established procedures.

He said that the failure to comply with the procurement manual's provisions for local vendor review committees and vendor database officers for ensuring proper controls

and accountability was of great concern, due to the significant purchases made at the local level. Several missions were not observing the requirement that 10 per cent to 30 per cent of the contract price be used as a performance bond for contracts over \$100,000. He also said that vacancies in procurement staff posts in peacekeeping missions was a matter of long-standing concern, and that the administrative heads of all peacekeeping missions needed to be held accountable for submitting complete procurement plans on time. That procedure should be monitored quarterly. He added that the lead time for contract approvals varied from 7 to 461 days, and did not reflect a uniform application of the process.

He appreciated the Secretary-General's response to the numerous recommendations. He noted the establishment of a joint working group of the Department of Management and Department of Peacekeeping Operations for defining effective lines of authority, responsibility, and accountability in procurement between Headquarters and field offices. He encouraged the Secretary-General to pay special attention to the main requirements for updating the current field procurement system and to take Headquarters' requirements into consideration. He also noted the Secretary-General's measures on optimizing United Nations acquisition and procurement management.

YOO DAE-JONG (Republic of Korea) reiterated the pressing need to reform the United Nations procurement system, which required strengthened internal controls and transparent management to match the growing dimensions of its work. The sharp surge in peacekeeping in recent years had led to rapid increases in the value of procurement. Along with the increase in volume, there had been an increase in complexity. Furthermore, recent cases of alleged mismanagement and fraud had demonstrated all too clearly why the system needed to become much more transparent. Considering that the United Nations was likely to be engaged in a high volume of peacekeeping in the foreseeable future, there was a pressing need to deal with those issues thoroughly.

Many of the efforts discussed in the Secretary-General's report had been under way for some time, he continued. They were in line with corrective actions that were needed to address the deficiencies, particularly in the area of strengthening internal controls. As the ACABQ had pointed out, however, the other aspects of reform suggested by the Secretary-General, namely the optimization of United Nations acquisition management and the strategic management of procurement, were not as well developed in the report. To some degree, that was understandable, in view of the interrelatedness of those reforms with other proposals in such areas as human resources management, governance and accountability, which were still under discussion. Nevertheless, the lack of detail on acquisition management and strategic management

would further delay the timely consideration of procurement reform by the Fifth Committee. It would be helpful if the Secretariat provided an update in that regard. He also asked for clarifications as far as the time line for reports to the Committee was concerned.

He said a working group was being established to examine ways in which the organizational structure could be changed to better align responsibility with authority and improve the overall control environment for peacekeeping procurement, while maintaining responsiveness to the operational demands of field operations. The Secretary-General's report indicated that the working group would report its findings to the Assembly during the current session. He would like to be updated on the discussions in the working group.

In terms of strengthening the internal control of procurement, he welcomed the measures to increase transparency and avoid conflicts of interest. Those would contribute to the enhanced management of procurement. The ACABQ had indicated that it expected to comment on procurement management and staff in detail in the context of its consideration of the report on human resources management. He hoped to see the opinions of the Advisory Committee as soon as possible. Also planned was a review of procurement rules and procedures in the field. That was appropriate, given that the current procurement process was unduly slow and involved multiple, sometimes duplicative, steps. He hoped the review would promote efficient delivery of services to the field through the involvement of industry experts. As for the optimization of acquisition and procurement management, the Secretariat was exploring logistic support arrangements to optimize cost savings. He would be happy to hear more on that matter.

He added that partnership on procurement with other organizations of the United Nations system had great potential to further enhance system-wide economies and stability of supplies. In fact, the value of procurement on the system-wide level had increased to \$8.3 billion last year. He encouraged the Secretariat to further extend partnerships within the United Nations system to improve coordination and eliminate duplication of work.

BENJAMIN GARCÍA (United States) said his delegation had insisted that procurement reform be a management priority, or the billions of dollars involved would not be properly spent and accounted for. He called the vacancies in procurement officers within the Department of Peacekeeping Operations unacceptable, and noted that the training of staff for filled procurement posts was not sufficient.

He appreciated the focus of the Secretary-General's report on stronger internal controls and optimizing procurement management, which could reduce the costs of procurement. He was pleased with existing steps to strengthen internal controls, institute the best value for money policy, promulgate a supplier code of conduct, implement strategic sourcing, and produce a career development framework for procurement. However, he said that the Secretariat must take more proactive actions immediately. Clear lines of control were needed, and the bid protest system needed to be implemented. He said that these reforms were resource dependent, and he endorsed the ACABQ's recommendations in this regard. The General Assembly had only approved temporary assistance for procurement reform, which resulted in the related staff positions remaining unfilled. He hoped regular funding would be approved by the close of the current session.

HITOSHI KOZAKI (Japan) said that any instances of fraud not only severely damaged the reputation of the United Nations, but also made it quite difficult for Governments to make the case for contributing to it. For its part, the Government of Japan was obligated to ensure its taxpayers that its assessed contributions to the Organization were utilized in a transparent, accountable and efficient manner. There had been a significant rise in United Nations procurement, which stood at \$1.8 billion in 2005. The weaknesses in the internal control framework in the Secretariat, which had been pointed out by the OIOS and in other relevant reports, needed to be remedied without delay. The report of the Secretary-General attempted to address those weaknesses, including the proposed changes to the current process related to exigency provision and vendor review, for example. His delegation was open to considering possible changes in the procurement procedure and the financial rules and regulations, if it received assurances that they would enhance transparency, accountability and efficiency.

As field operations were carried out in difficult environments and under a tight schedule – and, therefore, under higher risk than Headquarters activities – he would like to examine whether persuasive arguments had been made to ensure that specific measures to be taken would improve the internal control and proper oversight mechanism, particularly in the field. His delegation was keenly interested in seeing internal controls strengthened, the lines of responsibility and accountability clarified, measures taken to prevent the recurrence of fraud, and procurement procedures improved.

RAZIFF ALJUNIED (Singapore) said that the outcome of discussions of procurement reform should not create the false impression, resulting from the desire of

some parochial interests, that the United Nations was filled with corruption and incompetence. Yet, he did note the lack of clarity on delegation of authority, particularly with regard to the interaction between the Department of Peacekeeping Operations and the Department of Management. He was particularly concerned with the confusion at the level of senior management, and the appearance of the practice of selective accountability. He worried that even OIOS was not able to clarify how authority was delegated when it prepared its seminal audit report of 2 December 2005. He said the issue of delegation of authority was integral to procurement reform.

He then referred to the ongoing investigations of the Procurement Task Force, and pointed to the seven reports it had concluded regarding staff members placed on paid leave. He wanted to know when the reports would be made available to Member States, where they were now, and where they had been submitted. Concerning the investigations on the remaining two staff members on administrative leave, he wanted to know when they were to be concluded. He said it had been 10 months since their administrative leave had started, and he sought a conclusion. He further wanted to know whether the reports on those two had been submitted to the Department of Management and to whom within the Department. He said such reports should not be in limbo over an extended period of time. Finally, he asked for elaboration about the disagreements between the OIOS and the Deloitte and Touche report, and asked for clarification of what was meant by a “high-level analysis”. Additionally, he asked why there was a need for the Secretariat to engage Deloitte and Touche at a cost of more than \$500,000. Finally, he sought clarification on the need for a survey, when the intention was to build on controls that already existed.

MOHAMED YOUSIF IBRAHIM ABDELMANNAN (Sudan) supported the position of the Group of 77 concerning the procurement reform and stressed that the objective of supporting the development efforts of developing countries and economies in transition should be kept in mind when initiating procurement reform. It was important to increase the share of procurement from those countries, in particular through increasing awareness among suppliers in developing countries of the opportunities and specific requirements of the United Nations. Such measures could include registration on the roster of suppliers and filing tenders.

Ongoing efforts were needed to explore new means of widening the base of suppliers from developing countries and economies in transition. A reform of procurement standards was needed to encourage suppliers from developing countries. It was also necessary to explore and address the reasons for a low level of procurement from developing countries. Such efforts should be solidly based on transparency. The United Nations procurement system enjoyed a good deal of discretionary power, which

should be accompanied with accountability, including through training and development of staff. The ethical framework and the value of integrity should receive support from the newly established Ethics Office.

JAVAD ZARIF (Iran) said that most of the information in the discussion was not new, and he regretted that most earlier recommendations had not been implemented to date. He supported a transparent and simple procurement process, implemented within the framework of a comprehensive information and communication technology strategy, which would let all vendors from developing countries be on a roster to be informed of, and react in time to, available tenders. He also supported continuation of the Secretariat's business seminars. Finally, he observed that procurement represented 37 per cent of the United Nations System's combined resources, so properly managing the matter was very important.

Responding to questions and comments from the floor, United Nations Controller WARREN SACH said that additional general temporary assistance approved by the Assembly in July had resulted in a fairly rapid recruitment action. The Secretariat looked for additional action during the current session, to fully respond to the recommendations in the Secretary-General's report.

As for the questions posed, many details sought today would be addressed in the context of informal consultations, but he wanted to focus on the issues of the lead agency, delegation of authority and governance, the bid system, the share of developing countries and economies in transition in United Nations procurement, and the best value for money concept and resources and capacity.

On the lead agency, he said that it was not a new concept and was incorporated in the financial rules of the Organization. However, resolution 60/260, adopted in May this year, had called for an assessment of the effectiveness of internal controls within the United Nations and in pushing forward the lead agency concept; it was important not to undermine the quality of internal controls. He cautioned against strengthening the role of UNOPS until a number of aspects were clarified in that regard.

Turning to the big concern of the capacity of United Nations procurement to measure up to the expansion of the Organization's activities, he said it was important to avoid simplistic solutions. One could not solve all the problems by transferring

responsibility from one department to another. It was important to build capacity, while maintaining the level of internal control. There were problems of procurement staffing within peacekeeping missions. Thus, it was necessary to build capacity there. Close cooperation between the Department of Management and the Department of Peacekeeping Operations was needed to ensure that governance issues could be addressed to assure full operational capacity without diluting internal control requirements.

Regarding the policy issue of procurement from developing countries and economies in transition, he said that the Secretary-General's report contained a proposal for a new P-3 focal point within the Procurement Service to coordinate various resources and improving access of all Member States to United Nations procurement. The level of the Secretariat's commitment could not be judged just by that, however. The Secretariat was determined to move forward. However, now there was a competition between today's operational needs and the need to widen the base among all Member States and ensure wider access to opportunities. A wide range of proposals, including the use of the Department of Public Information information centres, were being developed in that regard. The analysis of how the best value for money was operating was now under way.

Continuing, he said that the questions from Singapore would be conveyed to the OIOS. As for the decision to deploy outside consultants to look at procurement practices, he recalled that a similar question had been posed back in May, and a written response had been submitted to the Committee on 25 May.

On resources and capacity, he reiterated that what had been reflected in the July resolution following the Fifth's initial deliberations on procurement was simply a one-time provision. Longer-term procurement needs should be addressed now. Resources in the form of posts and training should be provided to ensure that widely noted deficiencies in procurement could be systematically worked on. A balanced, responsive and well-controlled procurement system was needed.

Mr. ALJUNIED (Singapore) said that, as he had made the request from OIOS in a formal setting, he, therefore, desired submission of their response in a formal setting. He further noted that he believed that the question on the guidelines on hospitality and gifts could be responded to by one of the speakers in attendance and it did not require a survey. He appreciated the point about the lack of capacity in the Department of Peacekeeping Operations and Management, but said that resolving issues relating to

delegation of authority was independently important, and should not be delayed until spring.

NONYE UDO (Nigeria) then asked whether the creation of a P-3 post within the procurement office in charge of ensuring increased participation of developing countries was adequate to respond to the outstanding request.

MAXIM GOLOVINOV (Russian Federation) said his country had always supported the strengthening of efficiency, effectiveness, and reliability of the procurement system, and ensuring respect for all rules and regulations. He sought to draw attention to the General Assembly's expectation of reports concerning internal oversight of expenditure and the basis of best value for money, and was concerned with the very limited information available in the review of that issue. He said that information on procurement was even more important, due to the \$500 million requested over the previous six-month period. He requested that the Secretary-General submit proposals on matters of conflict of interest, and how they could be resolved.

Responding to several questions from Singapore, Mr. SACH said that a survey among the United Nations system organizations would be useful, because the Under-Secretary-General was only responsible for internal instructions for the Secretariat. To find out the situation within other agencies, it was necessary to collect information from there. That could be done with a request from Member States.

On the delegation of authority, he clarified that a mere transfer of bureaucratic authority by authorizing one official to act in place of another did not assure full integrity. An appropriate accountability and responsibility mechanism was needed. Otherwise it would be "abdication and not delegation of authority".

Regarding the P-3 post in procurement, he said that the post was "a tip of the iceberg" in that regard. Other resources were being requested to coordinate procurement activities to ensure a programme-wide effect of broadening the source of supply. The P-3 was just one component of a much broader effort.

The report on the conflict of interest was due next year, although the original request had come several sessions ago, he added. However, the issue was receiving

attention. In the interim, financial disclosure rules for procurement officers had been introduced.

Mr. ALJUNIED (Singapore) said he was not totally convinced by the response on the delegation of authority. It was a very important issue, and initial steps should be made now. He wanted to pursue the matter further in informal consultations.

Mr. YUSSUF of the Joint Inspection Unit took note of the Chief Executives Board's failure to accept formalization of the inter-agency working group mandate, and said it was a very pertinent recommendation. He noted that the inter-agency working group meetings discussed matters of interest to the procurement function, such as the lead agency concept and the roster of vendors. He didn't think the meetings could afford not to be formalized, because they were taking place among the procurement officers of various United Nations system agencies with business communities, and funds were being allocated to them to attend meetings, so he could not understand how they could be considered informal. He, therefore, called on the Chairman of the Chief Executives Board to formalize the meetings and report on them to the General Assembly.

Turning to the merger of UNOPS and the Procurement Services Office, he said when the recommendation was made two years ago, UNOPS was in good financial condition, but not any longer. He believed that, if they had been merged two years ago, the financial situation of UNOPS would be better, and said that the change could realize savings of \$800,000 a year and \$8 million in 10 years.

Regarding the issue of training, he believed it was high time to develop capacity, so that developing countries could effectively benefit from procurement.

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