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Fifty-first session  
Agenda item 112REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL  
FUNCTIONING OF THE UNITED NATIONSProcurement reformFourth report of the Advisory Committee on  
Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on procurement reform (A/C.5/51/9), submitted pursuant to General Assembly decision 50/479 of 11 April 1996. During its consideration of the report the Committee met with representatives of the Secretary-General who provided additional information.
2. In its decision 50/479, the General Assembly had requested the Secretary-General to submit to it at its fifty-first session a comprehensive report on the implementation of procurement reform in the United Nations Secretariat as defined in paragraph 5 of the report of the Advisory Committee. The Committee had requested that the report cover all the procurement activities of the Secretariat at its Headquarters, and all missions and operations away from Headquarters, including progress made on the measures proposed by the Secretary-General in his reports of 22 June 1995 (A/C.5/49/67) and 9 February 1996 (A/C.5/50/13/Rev.1).
3. Actions already taken or in progress with regard to implementation of reform measures are discussed in the report of the Secretary-General (A/C.5/51/9). These include the organization and structure of the Procurement and Transportation Division; training; delegation of procurement authority; use of systems contracts; updating the Supplier Roster (including the main criteria for evaluating suppliers); strengthening the Headquarters Committee on Contracts and local committees on contracts; streamlining of procedures; and development of information technology in support of procurement activities.
4. The Advisory Committee welcomes the measures outlined. As they were only introduced in July 1996, it may be too soon to evaluate the results.

5. In paragraphs 4 and 13 of its report (A/50/7/Add.13), the Advisory Committee had recommended that the Secretary-General review the situation at Headquarters with a view to integrating procurement activities of the Secretariat and, as much as possible, coordinating with those of the United Nations Office for Project Services and other entities such as the Inter-Agency Procurement Services Office. The Committee notes from paragraph 3 of the Secretary-General's report that the outcome of the review is still awaited. The Advisory Committee strongly recommends that immediate steps be taken within a specified time-frame to complete the review and communicate the outcome to the General Assembly.

6. The Advisory Committee notes from paragraphs 4 to 6 and annexes II and III to the Secretary-General's report the new structure and organization of the Procurement and Transportation Division. The Advisory Committee was informed that no further changes are envisaged in the foreseeable future and that the structure had enough flexibility to incorporate the procurement function of the Department for Development Support and Management Services should a review reveal that such a move would be beneficial.

7. The Advisory Committee welcomes the efforts of the Division with regard to training, including on-the-job training of procurement officers as indicated in section III of the report. The Advisory Committee trusts that this practice will be a regular feature, extended over time to all staff involved in procurement activities.

8. With regard to delegation of authority, as indicated in section IV of the report, the Advisory Committee notes that, effective 15 August 1996 (annex IV to the report), the local committees on contracts have authority to consider cases ranging from \$50,000 to \$200,000 while the Headquarters Committee on Contracts will consider cases in amounts above \$200,000.

9. The Advisory Committee notes from paragraph 11 of the report that the revised delegation of purchasing authority under the terms of financial rule 110.16 has been implemented as of October 1996; the authority to undertake procurement activities and the levels of signature for commitments are now specifically granted to individual procurement officers. In this connection, on inquiry, the representatives of the Secretary-General informed the Committee that they did not know whether other funds, programmes and organizations within the United Nations system followed this practice and that the Secretariat had not held consultations with these entities. The Advisory Committee recommends that this issue be monitored carefully and reviewed after six to eight months to evaluate improvements in the process as a result of granting of signing authority to individual procurement officers.

10. At the time of its consideration of the Secretary-General's report on the financing of the United Nations mission in Haiti (A/50/363/Add.1), the Advisory Committee had been informed of some of the benefits that could be derived from a "systems contract" arrangement: the United Nations would be able to forecast requirements for an extended period of time, be committed to only a minimum purchase, conduct a competitive bidding exercise and draw against the contract only when required. The arrangement would allow the United Nations to group all requirements for similar or identical items into one single framework, taking

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advantage of the volume discount potential and setting up a mechanism for drawing requirements without repeating the bidding exercise for each requisition. In this connection, the Advisory Committee notes and supports the Secretary-General's statement in paragraph 12 of his report that "such contracts, while relieving procurement officers from routine and repeated bidding exercises, demand far greater vigilance in monitoring vendor performance and carrying out effective contract administration".

11. The Advisory Committee notes from paragraph 18 of the Secretary-General's report that the existing supplier roster of the Division, which previously comprised 4,000 firms, has been vetted and updated. The Committee was informed that as at the end of October 1996 the total number of registered suppliers was 1,623. The Committee notes the additional information with respect to the supplier roster, including the main criteria for evaluating suppliers (paras. 18-23). The Advisory Committee requests the Secretary-General to refine the criteria for evaluating suppliers so as to broaden the base.

12. The Advisory Committee recalls that in the report of the Office of Internal Oversight Services (A/50/945, annex), the shortcomings in procurement controls and procedures in the Department for Development Support and Management Services were highlighted. Among the deficiencies indicated was the use of brokers in place of vendors/suppliers. According to the Office, purchases through such agents could possibly involve serious risks and higher costs to the Organization. On inquiry, the Advisory Committee was informed that the Administration believes that there is some merit in utilizing agents/brokers in certain cases where goods and services are not always readily available or have different and varied specifications, provided that the broker's credentials have been thoroughly checked and involve no risk to the Organization. The Advisory Committee is of the opinion that continued efforts to revise and expand the vendor database should obviate the necessity to use such brokers except under very exceptional circumstances, the reasons for which should be recorded in each case.

13. As indicated in paragraph 9 of the Secretary-General's report, owing to budgetary constraints, staff are not able to travel away from Headquarters and therefore arrangements are made whereby "groups of company and industry representatives are briefed on how to do business with the United Nations". Such arrangements are made in New York City by various permanent and observer missions to the United Nations and by consulates and trade commissions in New York City. While the Advisory Committee sees the merit in these arrangements, it nevertheless believes that adequate resources should be made available for travel by staff to other locations for the purposes of expanding the supplier base to reflect equitable geographical distribution consistent with maximum effectiveness.

14. The Advisory Committee notes the comments of the Board of Auditors in paragraphs 93 and 94 of its report<sup>1</sup> with regard to the geographical base of suppliers. As indicated by the Board, of the 1,237 re-registered vendors at the time, 1,061 (86 per cent) were based in Western Europe and North America. Forty-eight per cent of the suppliers belonged to one Member State and a further 13 per cent belonged to a second Member State.

15. The Advisory Committee notes the statement in paragraph 25 of the Secretary-General's report regarding use of suppliers recommended by requisitioners. In this connection, the Advisory Committee reiterates its recommendation made in paragraph 22 of its report (A/50/7/Add.13) that this practice undermines the principle of segregation of responsibilities between requesting and procurement units; the practice should be discontinued. The Advisory Committee believes that if the supplier roster were a complete and comprehensive one, there would be no need for requisitioners to recommend suppliers.

16. The Advisory Committee welcomes section VIII of the Secretary-General's report outlining changes in the Headquarters Committee on Contracts. The Advisory Committee was provided with additional information on policy guidelines for categories of cases to be submitted to the Headquarters Committee, its composition, general functions and meetings, as well as the ex post facto presentations to it (see the annex to the present report). While the Advisory Committee notes these guidelines, it awaits the Secretary-General's proposals for amendments, if any, pursuant to General Assembly resolution 49/216 C, to the Financial Regulations and Rules and to the Staff Regulations and Rules required to address any conflicts of interest.

17. The Advisory Committee notes from paragraph 33 of the Secretary-General's report that, pursuant to paragraph 3 (b) of General Assembly resolution 49/216 C, further efforts have been made to strengthen the role of the Headquarters Committee on Contracts and to provide greater transparency in its operations in the granting of exceptions to competitive bidding under financial rule 110.19, particularly where exigency is cited as the reason for requesting such exceptions. Furthermore, efforts are being made to ensure that "exigency" is not cited as a means to conceal delays in the procurement process and the presentations to the Headquarters Committee. The Advisory Committee maintains that a sharper definition of "exigency" needs to be provided, as called for in General Assembly resolution 49/216 C.

18. The Advisory Committee recalls the comments of the Board of Auditors in its report<sup>2</sup> with regard to ex post facto cases. In this connection the Advisory Committee notes the information provided in paragraphs 36 to 41 of the Secretary-General's report and the additional information provided in the annex to the present report, indicating measures to limit recourse to ex post facto submissions to the Headquarters Committee on Contracts. The Advisory Committee understands that some cases were presented to the Headquarters Committee as late as two or three years after the fact for ex post facto approval. The Advisory Committee believes that the local contract committees should be given the authority where necessary to approve cases, while the role of the Headquarters Committee on Contracts in such instances should be to evaluate the appropriateness of that action.

19. The Advisory Committee notes the information in paragraphs 46 to 49 of the Secretary-General's report regarding advanced procurement planning and coordination in procurement. However, it is not clear from the document how procurement planning has been enhanced, although coordination has improved as previously called for by the Advisory Committee. With regard to inventory of assets (para. 53), the Advisory Committee recalls its comments in paragraph 20

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of its report (A/50/7/Add.13) and notes the information provided in the Secretary-General's report.

20. The Advisory Committee notes the information on staff resources and workload in paragraphs 54 and 55 of the Secretary-General's report. On inquiry, the Advisory Committee was informed that, of the 32 posts at the Professional level, 6 posts, including 3 on the regular budget, remained vacant at the time of reporting. As indicated in paragraph 55 of the report, there are four officers on secondment from their Governments at no cost to the Organization. Although these officers do not have procurement signing authority, the Advisory Committee was informed that they were engaged in such areas as purchasing and operational activities. The Advisory Committee points out that there is a serious potential conflict of interest in such a situation, especially since these officers are not staff members of the United Nations and therefore are not answerable under the regulations and rules of the Organization. The Advisory Committee's detailed observations and comments with regard to gratis personnel provided by Governments and other entities will be made in the context of its examination of the Secretary-General's report on the subject (A/51/688).

21. The Advisory Committee notes with concern the limitations upon the Procurement and Transportation Division owing to overall budgetary constraints. In view of the importance of this function and the impact it has on the expenditure of the Organization, the Advisory Committee recommends that the vacant posts relating to procurement be filled as soon as possible.

22. As indicated in its report on financial reports and audited financial statement (A/51/533), the Advisory Committee believes that procurement reform should be given top priority in the United Nations and its funds and programmes. In the opinion of the Advisory Committee, the present report of the Secretary-General constitutes an incremental step in that direction. Bearing this in mind, the Advisory Committee requests that in its next report the Board of Auditors should focus on evaluating the adequacy of the measures taken by the Secretariat in line with the Board's own recommendations and those of the Advisory Committee and the General Assembly.

#### Notes

<sup>1</sup> Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5), vol. I.

<sup>2</sup> Ibid., paras. 96-97; and ibid., vol. II, paras. 119 and 122.