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Agenda item 107

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

Procurement reform

Outsourcing practices

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the reports of the Secretary-General on procurement reform (A/59/216) and on outsourcing practices (A/59/227). During its consideration of the reports, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

Procurement reform

2. The report of the Secretary-General on procurement reform is submitted pursuant to General Assembly resolution 57/279 of 20 December 2002. The Committee welcomes the format of the report which addresses in each section the various requests made by the Assembly in its resolution 57/279 and which summarizes the procurement reform activities undertaken and the progress made during the past two years.

3. The Committee notes from the statistical data provided in annex I to the report that the total volume of procurement has increased from \$468 million in 1999 to \$892 million in 2003, and that the share of the developing countries of the total volume of procurement for 2003 amounts to 13.6 per cent. The report depicts the efforts made by the Secretariat to encourage increased procurement from developing countries. Thus, paragraph 3 of the report indicates the increase in the number of seminars conducted and in the vendors successfully registered from developing countries and countries with economies in transition, as well as the creation of a standing working group which will coordinate seminar-related activities throughout the United Nations system, develop common presentation materials and coordinate the training of staff participating in the business seminars. **The Advisory Committee encourages the exploration of other avenues through inter-agency**

facilities, including an analysis of the current approach to seminars in order to make them more results-oriented. Also, the Advisory Committee recommends that follow-up mechanisms be considered, with a view to further increasing the procurement opportunities for vendors from developing countries and countries with economies in transition.

4. The Committee notes the progress achieved in the harmonization and streamlining of procurement practices. As indicated in the report, a series of headquarters system contracts have been negotiated, open to all funds and programmes based in New York, and a tracking system that monitors the usage of system contracts now allows action to be taken when they are close to the ceiling of the established contract amount. The Internet site, UNBIZ, maintained by the Procurement Service (formerly known as the Procurement Division), provides a gateway that helps suppliers and the public to navigate the procurement sites of participating organizations in the United Nations system. In addition, the revised Financial Regulations and Rules promulgated in 2003 allow the Secretariat of the United Nations to cooperate more fully with other organizations of the system in the area of procurement. The Committee was informed that the adoption of a common commodity classification system might be considered, thus also allowing for closer interaction within the United Nations system.

5. A number of initiatives, developed to improve efficiency, are presented in paragraphs 16 to 20 of the report of the Secretary-General. Among them, one system, known as eHCC, allows the electronic processing of presentations to the Headquarters Committee on Contracts. Peacekeeping missions now submit local procurement cases that are to be reviewed by the Headquarters Committee on Contracts directly to the Procurement Service for its review and processing through the eHCC system, thereby streamlining and speeding up the whole process. The Committee was informed that this initiative was not a replacement for the process itself but that it translated into a lighter workload in terms of human resources and paperwork, and that the initiative was expected to be rolled out to the field later in 2004. **The Committee welcomes this initiative.**

6. The Committee was informed that, in February 2004, a newly designed Internet-based vendor registration system, the United Nations Global Marketplace, had been launched, in which all organizations of the system would participate. As indicated in paragraph 8 of the report, it is planned to make the Global Marketplace “a consolidated one-stop shop which will meet all requirements of both the public and the United Nations staff members working in procurement” and to roll the system out to field missions and other field offices in the near future. The system is to include a vendor performance rating system, thus allowing information on the performance of the vendors to be shared among users at United Nations organizations. **The Advisory Committee welcomes the review of vendor management mentioned in paragraph 9 of the report of the Secretary-General and the implementation of the related recommendations in order to simplify and streamline the vendor registration process, particularly where different organizations take the lead in evaluating and pre-qualifying vendors providing goods and services in the areas in which they possess expertise, thus sharing responsibility among the various organizations of the United Nations system.**

7. The Committee was informed that, as at 21 October 2004, 4,664 vendors were fully registered and 440 vendors were provisionally registered (less than 9 per cent) in the database of the Procurement Service.

8. The Committee held an exchange of views with the representatives of the Secretary-General regarding the issue of accountability within the procurement reform framework, taking into account the weaknesses identified by the Board of Auditors and the Office of Internal Oversight Services in relation to the process of vendor registration.¹ The Committee was informed that, although there was a mechanism to review exceptions (a committee that looks at vendor registration), a system (Mercury II) was being developed to address the issue. **The Advisory Committee recommends that the weaknesses in the process be addressed, taking into account the comments and observations of the Board of Auditors and the Office of Internal Oversight Services. The Committee requests that information regarding the accountability factor within the procurement reform framework be provided in the next report of the Secretary-General.**

9. As regards field procurement, the Committee notes that the Procurement Service is now responsible for clearing the candidates applying for procurement positions in the field, and that annual meetings are organized at Headquarters, with the participation of all heads of procurement at offices away from Headquarters, regional commissions, international tribunals and all peacekeeping missions, to discuss issues of common interest and provide additional training. The Committee also notes that the Procurement Service has taken over the responsibility for coordinating the training of field procurement staff, as indicated in paragraphs 14 and 22 of the report. **The Advisory Committee is of the opinion that the training programmes should focus on a train-the-trainers approach, by means of which, large numbers of junior personnel could be trained in a more cost-effective and efficient way. In addition, the Committee recalls that it has previously drawn attention to the need to monitor and evaluate training needs (see A/57/772, paras. 127-133, and A/58/759, paras. 75-78).**

10. The Committee enquired into the matter of delegation of authority. In this connection, it was informed that delegation of authority with regard to procurement, establishment of local committees on contracts, property management and inventory control was being finalized. The new delegations of authority, which are to be issued in the near future, are in line with those issued by the Controller for financial authority. The proposed delegation will be given, on a "personal" basis, to the Chief Administrative Officer who may delegate downwards to the Chief Procurement Officer, individual procurement officers and Field Service staff, but he/she will remain accountable for the appropriate use of the authority, thus addressing the need to strengthen monitoring, oversight and accountability.

11. The Committee notes that it is also proposed to delegate authority to the field for requirements which by their nature lend themselves to local procurement, such as leasing of premises, provision of fresh food, laundry and cleaning services, local utility services etc. These core items, of a value up to \$1 million, require knowledge of local market conditions and in-theatre sources of supply, for which Headquarters cannot add significant value to the process of procurement. However, the initiative will incorporate a reporting mechanism and will be closely monitored. Core items with an estimated value of over \$1 million will continue to be submitted to Headquarters for review and approval.

Outsourcing practices

12. The report of the Secretary-General on outsourcing practices (A/59/227), submitted in compliance with the request made by the General Assembly in paragraph 3 of its resolution 58/276 of 23 December 2003, provides information regarding the location, type of outsourced activity and reason for the particular requirement, based on the four basic criteria endorsed by the Assembly, as well as the savings identified, as requested by the Advisory Committee in its previous report on the subject (A/57/7/Add.1).

13. The Advisory Committee is of the opinion that consideration should be given to providing the 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.

Notes

¹ See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5 (A/59/5)*, vol. I, chap. II; and A/59/396.