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Agenda item 131

**Review of the efficiency of the administrative and financial functioning of the United Nations****United Nations procurement activities****Report of the Secretary-General***Summary*

The previous report on United Nations procurement activities ([A/67/683](#) and Corr.1 and 2) provided the General Assembly with comprehensive information on the United Nations procurement activities. The report also provided in its addenda an update on the implementation of the pilot project on the independent procurement challenge system ([A/67/683/Add.1](#)) and the Secretary-General's response ([A/67/683/Add.2](#)) to the recommendation issued by the Office of Internal Oversight Services in its report dated 7 February 2013.

Further reference is made to the report of the Secretary-General ([A/64/284](#)) on the implementation of the procurement reform agenda proposed by the Secretary-General in his reports [A/60/846/Add.5](#) and Corr.1 and [A/62/525](#). That report also outlined the proposed governance structure of the Secretariat procurement function ([A/64/284/Add.1](#)) and the concept of sustainable procurement ([A/64/284/Add.2](#)).

The Advisory Committee on Administrative and Budgetary Questions, in its report to the General Assembly ([A/67/801](#)), welcomed the Secretary-General's efforts outlined in the above-referenced previous report and noted the overall progress made in improving procurement in the United Nations.

The General Assembly, in its resolution 68/263, requested the Secretary-General to submit a comprehensive report on United Nations procurement activities for consideration by the General Assembly at its sixty-ninth session. The present report provides an outline of achievements and progress made in major areas of procurement in the Secretariat. The report further describes several other key initiatives undertaken by the Procurement Division towards increasing transparency and accountability while enhancing the delivery of services to clients globally.

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\* Reissued for technical reasons on 17 February 2015.



## **I. Introduction**

1. The Procurement Division, the largest and most experienced procurement entity in the United Nations system, has reached an advanced stage in its transition from a historically transactional function to becoming a highly professionalized and strategic partner in the Organization's supply chain. By virtue of its leadership role in United Nations procurement, the Division is in a unique position to facilitate an effective streamlining of the acquisition of goods and services. The modernized approach to procurement entails strategic interaction across departments, locations, operational mandates and budget cycles. Such a procurement strategy leads to efficiency gains, by coordinating the acquisition of operational requirements of Headquarters, individual peacekeeping missions and special political missions as well as offices away from Headquarters. The full implementation of Umoja will complement this procurement strategy by enhancing the coordination of several interrelated business processes, resulting in improved efficiency and a reduction in duplicative administrative processes. The Division plans to utilize the holistic Umoja system to better identify procurement trends and further measure and evaluate efficiency.

2. The 2013 Annual Statistical Report on United Nations Procurement<sup>1</sup> revealed that the Secretariat was responsible for the largest procurement volume of all United Nations system organizations in 2012 and 2013. The value of procurement conducted increased from \$3,086,892,401 in 2012 to \$3,234,861,344 in 2013. An analysis of the major commodities showed that air transportation services, fuel and petroleum products as well as food rations were the highest value acquisitions in 2013. The Procurement Division has enhanced the acquisition processes for all three commodity areas in order to ensure best value for money for the Organization in the most efficient and effective manner.

3. The Procurement Division is undertaking several key initiatives that will further advance the strategic approach to United Nations procurement and modernize the acquisition process for critical requirements. Such key initiatives include: (a) using Umoja business intelligence as a strategic procurement tool; (b) changing the procurement process for air charter services in order to increase competition and ensure alignment with industry best practices; (c) continuously professionalizing the Procurement Practice Group; (d) implementing an electronic tendering (e-tendering) option; and (e) planning a tailored procurement strategy for modularization, which is a critical component of the global field support strategy.

## **II. Transformation of United Nations procurement from transactional purchasing to supply chain management**

### **A. Strategic management of United Nations procurement**

#### **1. Key initiatives in the procurement function**

##### **Umoja in the context of procurement services**

4. The implementation of Umoja enables a modern and efficient approach to acquisitions, increasing the transparency, accountability and stewardship of resources, while improving the delivery of high quality results and services to clients globally. In

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<sup>1</sup> United Nations Office for Project Services, 2013 Annual Statistical Report on United Nations Procurement, 2014.

order to realize the benefits of Umoja, the Procurement Division will undertake a strategic analysis of the current organizational structure and the corresponding responsibilities and roles of the Secretariat's global procurement community.

5. Umoja's supply chain module serves as a centralized platform for several interrelated business processes, including sourcing, solicitations, logistics and contract management, receipt and inspection, as well as the payment of invoices. The streamlining and simplification through Umoja of previously "siloed processes" offers significant benefits to the Organization in terms of higher quality solicitations and acquisition services to clients and beneficiaries, and allows staff to focus on delivering results. Further, efficiency gains may be achieved through the elimination of duplicate procurement processes as Umoja functionality allows requisitioning offices to locate and utilize existing systems contracts that will be universally accessible through the new global contract catalogue.

6. The Procurement Division's systems contracts have traditionally incorporated procurement requirements from all relevant locations. With enhanced visibility provided through Umoja, it is anticipated that additional leverage will be obtained for the Organization. This would be achieved by facilitating greater economies of scale through the accumulation of local requirements. In order to achieve such efficiencies, leadership across the global procurement function is required to utilize the purchasing power of the Organization to meet its critical requirements. This requires increased coordination across the procurement function, with the Division taking an operational lead in procurement planning. The role of local procurement teams must be harnessed to target areas where local expertise in terms of utilizing local knowledge and capability can make the greatest impact, such as local vendor engagement and outreach to ensure a more diverse geographical distribution of participants in solicitations. In line with this procurement strategy, the Division is harmonizing disparate processes and providing guidance on operational matters, such as a centralized vendor registration process, to procurement offices that have already migrated to Umoja.

7. In order to support these efforts and to instil an appropriate governance structure for information and communications technology (ICT) procurement, the Procurement Division established the Communications and Information Technology Section in 2012 to respond to the rapidly changing and complex requirements of ICT with a strategic focus. The Section has focused on implementing new models of contracts and procurement for complex ICT programmes of a strategic nature that will assist the Organization in achieving its mandates with increased focus on internal controls and better cost control mechanisms.

#### **Transition in solicitation methodology for long-term air charter requirements**

8. As referenced in paragraph 2 above, the acquisition of air chartering services is an important strategic area of United Nations procurement, with total expenditure in excess of \$670 million, representing approximately 21 per cent of the Procurement Division's total procurement value in 2013. In order to provide effective support to peacekeeping missions and special political missions as they comply with Security Council resolutions, the Division and the Department of Field Support are implementing a new solicitation methodology in the acquisition of air assets and logistics services with a view to allowing greater operational flexibility, the enhancement of international competition and ensuring better value for the Organization.

9. Since 1994, the solicitation methodology for air charter and logistics services has utilized an invitation to bid process, whereby the United Nations specifies the technical characteristics of aircraft and evaluates offers based on the principle of “lowest cost, technically compliant bid”. As described in paragraph 37 of the previous report on United Nations procurement activities ([A/67/683](#) and Corr.1 and 2), the Procurement Division, in coordination with the Department of Field Support, has been seeking expert advice from the International Civil Aviation Organization (ICAO) to change the solicitation process for air charter movements from invitation to bid to request for proposal. The request for proposal document outlines the Organization’s logistical requirements, instead of directing how they should be met by a specific technical solution. Hence, award recommendations are based on the most responsive proposal, taking into account a combination of weighted technical and commercial merits. This updated solicitation methodology complies with the United Nations guiding procurement principles while utilizing best industry practices to address increasingly complex aviation requirements. It should be noted that the request for proposal methodology is already used by the Secretariat for other complex solicitations, such as food rations, fuel, information technology, medical and engineering requirements.

10. In order to ensure the viability of the proposed revised statement of requirements and evaluation criteria developed following receipt of the ICAO recommendations, the United Nations sought feedback from the industry and Member State representatives in the summer of 2013. The United Nations then analysed the input received and organized an air charter conference, which was attended by 85 companies originating from 30 countries. During the conference, additional feedback on the solicitation methodology was requested from the attendees. Thirty companies provided constructive input, which was evaluated by a joint ICAO-United Nations task force in spring 2014.

11. The revised statement of logistical requirements for air charter services, developed in cooperation with ICAO, now includes an indicative annual schedule, for which operators are invited to offer aircraft solutions that best suit the needs of the United Nations within the operational constraint of a designated mission area. Such an approach entails moving away from the systematic reliance on specific types of aircraft and encourages vendors to offer innovative solutions with maximum efficiency in response to quantified passenger/cargo transport requirements and specialized tasks. Bidders are requested to offer appropriate aircraft and crew for the requirements of the United Nations. This should result in potentially fewer aviation assets needed to serve the Organization’s logistics requirements, while providing adequate ground and back-office support and optimized flight planning and fuel management.

12. The use of the request for proposal requires bidders to commit to specified key performance indicators identified as crucial to United Nations peacekeeping operations, such as aircraft availability, responsiveness and surge capacity. The technical evaluation criteria have been modernized to cover operator experience, aircraft performance, personnel qualifications and safety oversight. Along with the change in solicitation methodology for air charter, the Procurement Division and the Department of Field Support are reviewing the contract management process and introducing revised key performance indicators. Air operators’ performance under past and existing contracts will be taken into account as a criterion under new

request for proposal solicitations, thus creating incentives for contractors to achieve a higher standard of services.

13. In addition, the provisions of the United Nations air charter agreement have been reviewed and updated, in consultation with the Office of Legal Affairs, in order to align the Organization's model contract with today's aviation business practices. The contractual enhancements include an industry standard aircraft, crew, maintenance, and insurance costing model, a revised clause on early termination, and an improved invoicing mechanism that will ensure expeditious payments to air charter service providers.

14. From a commercial perspective, the request for proposal now includes an improved financial evaluation method, which takes into account important indirect cost factors. Such factors include fuel consumption as well as intangible cost elements related to sophisticated technical solutions, including versatile and multi-role assets, and more systematic operational and safety mechanisms offered by the service provider. The full impact on pricing as a result of the change in solicitation method is unknown to date. Any degree of variation of the services cost under the new tendering methodology will need to be reviewed and evaluated against the savings achieved from indirect cost elements.

15. In order to achieve a broad participation of the aviation industry, the Procurement Division initiated, in July 2013, a comprehensive vendor outreach programme to target companies providing air charter services. The Division advertised the transition in solicitation method on its website, in a bulletin page and briefings as well as through the issuance of notes verbales to permanent missions for wider distribution to air operator associations. Simultaneously, ICAO industry experts published articles in a number of aviation industry publications. In addition, the Division participated in several business seminars and aviation tradeshows to attract new business partners in the field of aviation and logistic services. As a result of this extensive vendor outreach programme, a total of 104 air operators, comprising existing as well as new vendors, expressed interest in entering the United Nations market. At the same time, the Division and the Department of Field Support have been reviewing the existing registration process for air charter vendors to ensure that registration eligibility criteria are in line with best industry practices and that new company registration applications are evaluated in a time-efficient manner.

16. With a view to eliminating duplicate evaluation processes and in order to broaden industry participation in this exercise, new companies were invited to participate in a pilot request for proposal issued in June 2014 for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) on the basis of very simple eligibility requirements. Thus, while the award of the specific contract would remain subject to satisfactory completion of the existing registration process, all interested air operators were allowed to compete under the new solicitation method. By the closing date of the request for proposal in August 2014, the United Nations had received a record number of 22 proposals from companies, which represented a wide geographical span. Under the previous invitation to bid solicitation methodology, an average of five bids with limited geographical diversity was typically received. Such wide and diverse representation in response to the pilot request for proposal affirmed the industry's positive reaction to the transition to the new solicitation method.

**Modularization**

17. In accordance with the report of the Secretary-General on the global field support strategy (A/64/633), modularization is a key component of the strategy. Modularization consists of the development of predefined service packages that include the requisite materials, supplies, equipment and enabling capacities to deliver comprehensive solutions to expedite the deployment and expansion of field missions. The majority of goods are sourced through systems contracts that are established by the Procurement Division, in cooperation with the Department of Field Support. The service component of the modules, including the installation and commissioning of equipment, construction and erection of structures, among other services, is the key resource to successful implementation of modularization. Among other enablers, commercial contractors play a prominent role.

18. Currently, the Department of Field Support is in the process of preparing requirements for an engineering and construction service package, which includes the following four modules: (a) site preparation and ground works; (b) vertical construction; (c) power generation, electrical distribution works and information and communication distribution works; and (d) water supply and sanitation works.

19. The procurement strategy formulated to achieve modularization is a two-phased approach. The first phase entails the issuance of a solicitation in order to establish retainer agreements with a roster of pre-qualified suppliers who can provide the necessary services. The second phase of the strategy commences once the actual requirement arises, at which time a scope of work with specifications of the requirement is provided to the pre-qualified suppliers. Such vendors will then submit a proposal attenuated to the actual requirements to be evaluated for compliance with the technical requirements. The award of the requirement is issued in the form of a service order. This procurement strategy ensures an appropriate balance between compliance with the Financial Regulations and Rules of the United Nations and operational flexibility and expedited delivery, the latter being a key requirement for the support of peacekeeping operations.

**2. Next generation of mission-critical contracts****Food rations contracts**

20. The provisioning of food rations to troops is a critical requirement of field missions and demands constant attention and monitoring to ensure that troops receive safe and quality food on time. Between March 2009 and August 2011, a comprehensive and rigorous review of the food rations requirements was conducted jointly by the Procurement Division and the Department of Field Support. The objective of the review, which emphasized quality standards and control mechanisms, was to bring United Nations food rations operations to industry standards, enhance global competition and, consequently, achieve greater cost efficiencies. In parallel, the model contract was revised to strengthen key performance indicators, enhancing performance management and strengthening legal and commercial recourse mechanisms in case of underperformance. The improved model contract reflected a fundamental overhaul introducing new standards and processes, covering the entire supply cycle.

21. In September 2012, the Procurement Division commenced the rebidding of various food rations contracts, introducing revised specifications and standards. To

date, 11 contracts have been replaced, and contracts for two new peacekeeping missions, the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) and the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA), have been established, representing an annual award value of \$375 million.

22. The average overall cost of contracts for the provision of food rations and associated services for peacekeeping missions has decreased, resulting in annual savings of approximately \$45 million. Further, the United Nations has awarded contracts to four new contractors, including three from developing countries, which represents a substantial increase in the number of contractors for food rations requirements. In addition, the revised standards have led to enhanced health, food safety and quality standards through a process of inspection and certification and improved risk mitigation measures. This project earned a UN 21 award in 2013 for Efficiency for the Procurement Division and the Department of Field Support.

### **Fuel contracts**

23. The Procurement Division undertakes the procurement of fuel requirements of value exceeding \$1 billion across all field missions, of various scope and complexity. Fuel operations in the field are carried out (a) on a turnkey basis; (b) as in-house/bulk delivery operations; or (c) as hybrid operations (a combination of turnkey and bulk fuel requirements). Specific fuel services depend on operational conditions and unique mission needs. In general, turnkey contracts decrease operational and financial risks in large-scale missions with complex supply chain requirements, as the arrangements transfer responsibility for establishing and operating the mission's fuel storage and distribution system. The United Nations model contract further protects the interest of the Organization, as it assigns the risk and liability for any loss, wastage and environmental damage to the contractor. Notwithstanding this, in missions operating in more stable environments with a lower risk profile and greater availability of fuel of sufficient quality standards, cost efficiency may be gained by relying on commercial fuel markets and in-house fuel experts to fulfil the mission's fuel requirements.

24. Historically, fuel contracts for missions with smaller requirements were tendered by local procurement offices. In order to improve service and ensure proper risk management, the Procurement Division has now also assumed responsibility for the establishment of fuel contracts with smaller volumes, leveraging the Division's accumulated expertise. During the fiscal year 2013-2014, the Division tendered requirements on behalf of eight missions in the annual value of \$196,182,091. In view of the volatility of oil prices and in order to ensure the best interest of the Organization, the Division has established a pricing methodology that is based on the variable price of fuel in the international market, as well as fixed cost elements.

25. To complement the commercial and technical components described above, the Office of Legal Affairs has developed sophisticated model contracts specific to the Organization's various fuel operations. The contracts include provisions that ensure timely mobilization through tailored liquidated damages clauses, protect against environmental liabilities and allow operational flexibility for changing needs in terms of rapid deployment or additional distribution points. Contractors have to comply with applicable industry standards and with the United Nations fuel

operations manual, including on the establishment and maintenance of comprehensive standard operating procedures related to environmental controls. Furthermore, United Nations fuel contractors have an obligation to undertake environmental remediation in the event of any incident, and are obliged to have appropriate insurance in place.

### **3. Regional Procurement Office**

#### **Governance and structure of the Regional Procurement Office**

26. As stated in paragraphs 7 to 13 of the previous report ([A/67/683](#) and Corr.1 and 2), the Procurement Division established the Regional Procurement Office in Entebbe, as a pilot project. The Office is an integral part of the Division, reporting to the Chief of the Field Procurement Service, and complying with all the procedures applicable to the Division, including review by the Headquarters Committee on Contracts, where applicable. Led by a Section Chief, the Office has been staffed on a cost-neutral basis with 22 encumbered/vacant posts from peacekeeping missions and 2 posts from the Division.

27. In September 2013, the Procurement Division established a new governance framework for the Regional Procurement Office, defining clearer procedures and policies for developing joint acquisition plans. In December 2013, standard operating procedures were issued to ensure compliance with the governance framework and implement a service level agreement between the Office and its mission stakeholders. This will help to strengthen the stakeholder engagement and timely input of requirements.

#### **Key activities of the Regional Procurement Office**

28. The Regional Procurement Office consolidates at the regional level the procurement requirements of its stakeholder missions. Between 2010 and 2013, the Office established 43 regional system contracts under joint acquisition plans and 134 mission specific contracts,<sup>2</sup> with overall not-to-exceed values of \$360,041,315.88 and \$287,874,463.72, respectively.

29. In addition to harmonizing regional procurement, the Regional Procurement Office offers continuous procurement training programmes to missions in order to further enhance expertise of those staff involved in acquisition. In this regard, in 2013, the Office introduced a procurement capacity-building programme, which was offered to more than 200 staff in the United Nations Mission in South Sudan (UNMISS), MONUSCO, the African Union-United Nations Hybrid Operation in Darfur (UNAMID) and the United Nations Interim Security Force for Abyei (UNISFA). The programme will be expanded to the United Nations Support Office for the Africa Union Mission in Somalia and MINUSCA in 2014.

30. The Regional Procurement Office provides critical support to missions undergoing expansion and deployment. During the start-up of UNISFA, the Office conducted all procurement in support of the mission. Further, the Office has procured various items, such as security requirements for MINUSMA, temporary accommodation and electrical materials for MINUSCA and freight forwarding and

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<sup>2</sup> Mission specific contracts are contracts that result from solicitations undertaken by the Regional Procurement Office on behalf of a specific stakeholder mission, with the purpose of utilizing the expertise and capability of the Office.



the rental of heavy duty equipment for UNMISS. In this connection, Regional Procurement Office staff were also temporarily deployed to provide essential support for the start-up of MINUSMA.

31. One of the key objectives of the Regional Procurement Office is the engagement of regional and local vendors. The Office campaign to attract vendors involves organizing business seminars and outreach programmes and providing vendor registration assistance. The Office has participated in 20 business seminars in 13 regional countries, all of which are developing nations. As a result of its registration campaign, the United Nations Secretariat registered 2,051 vendors through the Office between July 2010 and September 2014, as shown in table 1 below.

Table 1  
**Number of registered vendors through the Regional Procurement Office, from its inception to September 2014**

Country	Registered vendors as of July 2013	2013					2014									Total
		Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Jul.	Aug.	Sept.	
Egypt	16	–	–	–	–	–	2	1	1	–	–	–	–	–	–	20
Ghana	9	–	–	–	–	–	–	–	–	–	2	1	4	1	–	17
Kenya	178	1	10	39	14	7	52	22	32	25	34	35	34	78	46	607
Mali	48	5	14	–	3	1	1	3	2	–	–	5	–	3	5	90
Nigeria	26	–	–	–	–	–	3	2	9	3	4	3	7	11	10	78
South Africa	124	3	3	2	4	–	11	7	13	3	18	3	–	3	3	197
Sudan	44	3	3	2	2	1	4	–	7	5	2	1	1	–	2	77
Uganda	236	16	16	28	2	7	23	19	45	21	35	30	15	19	18	530
Others <sup>a</sup>	77	–	3	4	20	1	53	25	44	41	23	36	45	39	24	435
<b>Total</b>	<b>758</b>	<b>28</b>	<b>49</b>	<b>75</b>	<b>45</b>	<b>17</b>	<b>149</b>	<b>79</b>	<b>153</b>	<b>98</b>	<b>118</b>	<b>114</b>	<b>106</b>	<b>154</b>	<b>108</b>	<b>2 051</b>

<sup>a</sup> Botswana, Central African Republic, Côte d'Ivoire, Democratic Republic of the Congo, Ethiopia, Guinea, Liberia, Malawi, Rwanda, Senegal, Somalia, South Sudan, Tunisia, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

32. In addition, the Regional Procurement Office is instrumental in transferring knowledge on how to do business with the United Nations to local commercial communities. Among the most successful efforts in this respect has been a “train-the trainer” project, launched in collaboration with several national chambers of commerce in various African countries.

33. Cognizant of the above-described benefits, the Procurement Division has also been able to identify areas of further development for the Regional Procurement Office. In this connection, one of the challenges encountered by the Office is the difficulty in obtaining full buy-in by its stakeholder missions beyond the endorsement of its senior management. At the working level, change management efforts have to be continued to ensure timely cooperation in the development of the statement of work and technical evaluation as well as a higher implementation rate of the contracts put in place. The Office also has to equally enhance its timelines in order to provide the best service to its clients. In particular, the Office has the potential to become a major hub and conduit of knowledge for Umoja in order to even better serve its client missions. To clearly define the role of the Regional Procurement Office in this context will be one of the upcoming tasks ahead and a unique opportunity for the Office to enhance and refine its profile.

## **B. Business intelligence and information technology tools**

### **1. New reporting and analysis capabilities**

34. The centralized Umoja platform will make available an unprecedented volume of enterprise data related to procurement. In addition to sophisticated reporting information, business intelligence and dashboard tools will facilitate analysis of critical procurement, contract and vendor data. Realizing the strategic benefit and operational impact of this increased transparency and availability of data, the Procurement Division has, in cooperation with the Umoja business intelligence and training teams, expanded the data analytics capacity of its technical support team.

35. By leveraging the new data platform, tools and in-house procurement data management and analytical expertise, the Procurement Division will be able to more efficiently and effectively track procurement trends (for example, systems contract utilization) and collect new insights into the Organization’s procurement processes. This will be done by analysing the procurement process workflows from beginning to end, and reviewing information on key metrics such as commodities, monetary values, the number of participating vendors, procurement timelines and the tracking of document revisions. The tools will further enable the measurement and evaluation of efficiency of particular procurement activities, the Division’s key performance indicators and operational goals, such as lead times. By having access to a consolidated repository of supplier information, access to such supplier performance can be made available across locations, requisitioning teams and contracts.

### **2. Electronic tendering pilot**

36. During the first half of 2014, the Procurement Division initiated an e-tendering pilot project, which is limited to request for quotation exercises managed by the Communications and Information Technology Section of the Division. The scope of the pilot project was selected on the basis of the relatively low risk, low value and

simple process of requests for quotation.<sup>3</sup> The Division's main objectives in deploying an e-tendering solution are (a) efficiency gains and (b) a "lighter" footprint through the reduction of paper printing and storage requirements.

## **C. Professionalization of the Procurement Practice Group**

### **1. Implementation of the procurement training road map**

37. The Procurement Division currently offers seven online courses for procurement, requisitioning and contract management offices, offering procurement education at a basic level with the phase 1 courses and an advanced level with the phase 2 courses. The phase 1 courses available are Fundamentals of procurement, Ethics and integrity in procurement, Overview of the procurement manual and Best value for money. While the phase 1 training is mandatory for procurement staff, the courses are open to all United Nations staff members. Phase 2, which was recently launched, includes advanced courses for requisitioners, procurement staff and contract managers, including courses in acquisition planning, contractual issues in purchasing and contract management. Since 2007, the Procurement Division has issued 4,323 certificates for course completion in the United Nations common system: 3,177 in the peacekeeping and special political missions, 283 in offices away from Headquarters, 532 at Headquarters and 331 in other offices and agencies. The introduction of the Procurement Training Campus has yielded significant benefits, providing the multidisciplinary procurement workforce with standard training, which helps to ensure high levels of compliance with the Organization's applicable principles, regulations, rules and procedures. The monitoring of compliance with the training policy is facilitated by a centralized database in the Division. By strengthening the internal control framework for the procurement function through continuous training and professionalization, the Organization continues to mitigate the risks of inefficiencies and ethical violations.

### **2. Accreditation of procurement staff**

38. Procurement staff are also able to receive online advanced training leading to professional certification by an internationally accredited procurement training institution. The Procurement Division continues to provide staff with opportunities to enhance their professional competence in specialized areas such as value chain management, logistics and transportation.

## **D. Governance and management culture**

### **1. Governance**

39. Following the establishment of the Policy and Compliance and Monitoring Section in 2008, the Procurement Division implemented a robust compliance monitoring programme, significantly contributing to the adherence to the Financial Regulations and Rules of the United Nations, the Procurement Manual and internationally recognized best practices in procurement at Headquarters and in the field. Compliance is monitored through a number of measures, including on-site reviews in the peacekeeping missions and the special political missions and at

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<sup>3</sup> For requirements up to a value of \$40,000.

Headquarters; and workshops and discussions with accredited specialists and peers at the chief procurement officers' annual conferences. In addition, the Secretariat is currently analysing the establishment of an enhanced global compliance monitoring capability for the Secretariat activities of significant procurement volume, pursuant to the recommendation of the Office of Internal Oversight Services in its report dated 7 February 2013.

40. In view of the benefits achieved through the procurement assistant visit programme with the peacekeeping missions and the special political missions, the Procurement Division envisages the extension of the programme to include offices away from Headquarters, regional commissions and tribunals. Accordingly, the Secretary-General intends to seek additional resources to cover the expansion of the programme to such offices, with a view to extending the procurement assistant visits, as suggested above during the biennium 2016-2017. These visits will assist the respective entities during the initial stages of Umoja in relation to operations and the centralized vendor registration process.

41. In the context of ensuring proper management and accountability, the Office of Central Support Services has continued to manage carefully and prudently the delegations of procurement authority, as described in paragraph 16 of the previous report ([A/67/683](#) and Corr.1 and 2). In particular, the revised delegation of procurement authority to the Under-Secretary-General for Field Support, effective July 2012, increased the threshold for peacekeeping mission procurement sections and local committees on contracts from \$75,000 to \$150,000, and is supported by appropriate internal controls and enhanced reporting and monitoring requirements to mitigate risks. Such delegation of procurement authority has yielded efficiency gains through strategic review by local committees on contracts of higher value and more complex solicitations. Another element of governance includes the requirement for senior staff entrusted with the responsibility for physical and financial resources, to obtain technical clearance by the Assistant Secretary-General for Central Support Services, in accordance with the Secretary-General's bulletin [ST/SGB/2005/7](#).

## **2. Management culture of ethics, integrity and probity**

42. The Procurement Division has developed an effective policy capability to ensure that the Organization is keeping abreast of industry best practices and fostering a culture of ethics and integrity among staff members and vendors. All procurement practitioners are required to complete mandatory training in ethics and integrity. Procurement practitioners must continue to comply with the mandatory financial disclosure programme managed by the Ethics Office, filing annual disclosures for review by independent experts in order to mitigate the risk of conflicts of interest or other improprieties.

43. In the past eight years, the Division has made it a priority to strengthen internal control and oversight mechanisms, as described in section II.C of document [A/64/284](#). Measures taken included the issuance of the United Nations Supplier Code of Conduct, which stipulates that suppliers must comply with the values enshrined in the Charter of the United Nations. Further, a policy places post-employment restrictions for United Nations staff entrusted with procurement functions. The Procurement Division is in daily contact with the Ethics Office, mainly on issues related to conflict of interest and actively promotes the principles

of the Global Compact to the vendor community at its business seminars. The acute awareness of issues related to ethics and integrity within the Procurement Division is reflected in its implementation rate of 94 per cent completion of the latest United Nations ethics and integrity course launched by the Office of Human Resources Management in fall 2014.

## **E. Status of the independent procurement challenge programme**

44. In order to strengthen internal controls and promote integrity, fairness and transparency in procurement, the Secretary-General established in November 2009 the independent procurement challenge system through a pilot Award Review Board. The Board offers unsuccessful bidders in tenders issued by the Procurement Division the opportunity to file a post-award procurement challenge. Such challenges are reviewed by independent experts who determine their merits and render advice to the Under-Secretary-General for Management for a final administrative decision. Currently, eligibility for submitting a procurement challenge under the pilot scheme is limited to solicitations with an estimated value of at least \$200,000 issued by the Division at Headquarters or at the Regional Procurement Office (Entebbe). The pilot project has been extended until 30 June 2015.

45. Between November 2009 and September 2014, the Procurement Division issued 1,311 solicitations, 751 at values eligible for procurement challenge. During the period, the Division conducted 169 debriefings and 31 procurement challenges were submitted to the Registrar of the Award Review Board. There were six procurement challenges that met the eligibility criteria. Four of the six remaining challenges were decided upon by the Under-Secretary-General for Management, taking into account reports by individual Award Review Board experts: two challenges were sustained and two challenges were denied. One of the remaining two challenges was returned to the Division for a further debrief at the request of the complainant, and the other was withdrawn by the complainant.

46. The advent of the independent procurement challenge system, and the associated expert recommendations, have resulted in a further strengthening of the Procurement Division's procurement processes. For this reason, the Secretary-General recommends maintaining the Award Review Board on a continuing basis and expanding the eligibility for procurement challenges in a phased approach. Phase 1 to be implemented by 1 January 2016 will extend it to include solicitations over \$200,000 issued by offices away from Headquarters (Geneva, Vienna and Nairobi). Further expansion will extend coverage to include solicitations at regional commissions and tribunals (phase 2) and peacekeeping and special political missions (phase 3). The schedule for implementation of these phases will be determined once data from phase 1 expansion have been evaluated.

47. During phase 1 of the expansion, the Registrar and administrative support for Award Review Board activities will continue to be accommodated within the existing staffing resources of the secretariat of the Headquarters Committee on Contracts. For further expansion, alternative options, including the establishment of a dedicated Award Review Board support structure, will be explored. Prior to further expansion beyond phase 1, the Secretary-General will revert to the General

Assembly with additional information and his recommendations on future budgetary and staffing resource requirements to support such expansion.

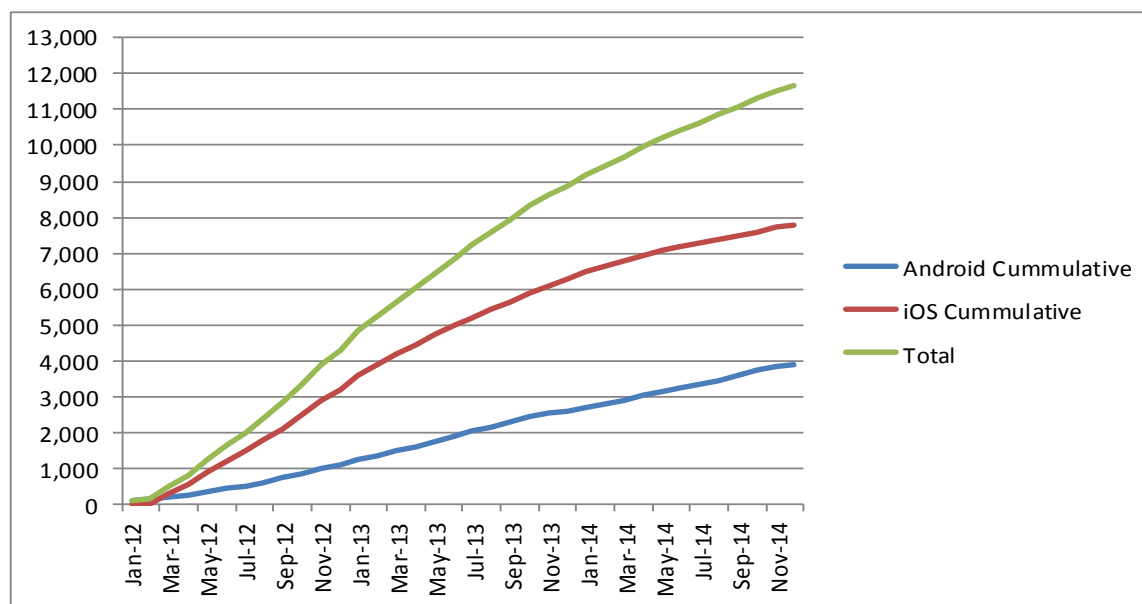
## F. Vendor management and outreach

### 1. Multifaceted outreach approach

48. The Procurement Division continues to employ a multifaceted strategy in its vendor outreach activities, which combines targeted, interactive events with broader outreach programmes. The interactive events, such as participation in multi-agency business seminars and the biennial World Chambers Congress, the organization of United Nations Secretariat business seminars, and “train-the-trainer” sessions for Member States and chambers of commerce, give participants the opportunity to meet face-to-face with representatives of the Division. Broader outreach mechanisms, including the Division’s updated website and the release of an upgraded mobile application, allow the Division to reach even wider audiences using moderate resources. The Division received a UN 21 award in the area of technology for the development of the application. The figure below illustrates the increasing trend of downloads of the mobile application since 2012.

#### Downloads of Procurement Division mobile application

Number of  
downloads



49. Using this multitude of tools, the Procurement Division continuously engages with suppliers, chambers of commerce, Member States and other entities that play a critical role in maintaining a growing, diverse and active vendor roster.

Table 2  
United Nations business seminar activities, 2009-2013

<i>Year</i>	<i>Business seminar location</i>	<i>Number of events</i>	<i>Number of vendors in attendance</i>	<i>Joint events organized with other agencies</i>
2009	Developing/transitioning countries	27	1 353	14
	Industrialized countries	14	454	5
	<b>Total, 2009</b>	<b>41</b>	<b>1 807</b>	<b>19</b>
2010	Developing/transitioning countries	35	2 316	4
	Industrialized countries	8	426	1
	<b>Total, 2010</b>	<b>43</b>	<b>2 742</b>	<b>5</b>
2011	Developing/transitioning countries	35	2 133	11
	Industrialized countries	16	855	5
	<b>Total, 2011</b>	<b>51</b>	<b>2 988</b>	<b>16</b>
2012	Developing/transitioning countries	35	3 188	6
	Industrialized countries	17	763	3
	<b>Total, 2012</b>	<b>52</b>	<b>3 951</b>	<b>9</b>
2013	Developing/transitioning countries	27	2 509	11
	Industrialized countries	13	808	10
	<b>Total, 2013</b>	<b>40</b>	<b>3 317</b>	<b>21</b>

50. The seminars represented in table 2 above serve not only as an important sourcing tool, but also provide an interface with the commercial world, which helps to increase awareness of the latest technologies and innovations offered by the market. For example, one of the highly successful events demonstrating the Procurement Division's role as an agent of change was the technology fair, held in November 2013, which introduced the latest private sector innovations to senior management at Headquarters and in the field on occasion of the annual conference of chiefs/directors of mission support.

## 2. Increasing business opportunities for vendors from developing countries and economies in transition

51. Ensuring access to business opportunities for vendors from developing countries and countries with economies in transition remains a high priority for the Organization. Through activities such as business seminars, annual Member State briefings, training for government representatives, and meetings with Member State delegations, the Procurement Division actively promotes the business opportunities approved by the United Nations with a particular focus on such countries. In addition, the Division works closely with peacekeeping missions, political missions, offices away from Headquarters, regional commissions and other United Nations Secretariat offices to identify regional business opportunities beneficial to vendors from developing countries and countries with economies in transitions. Table 3 below demonstrates that these efforts have yielded significant benefits.



Table 3  
Trends in procurement volume, 2009-2013

(Millions of United States dollars)

Year	Procurement volume in developing/transitioning countries		Procurement volume in industrialized countries		Total procurement volume
	Percentage		Percentage		
2009	1 475	40	2 242	60	3 717
2010	1 622	48	1 749	52	3 371
2011	1 865	54	1 604	46	3 469
2012	1 727	56	1 360	44	3 087
2013	1 775	55	1 460	45	3 235

### 3. Streamlining vendor registration

52. In order to promote a common, harmonized and simplified vendor registration process among all United Nations Global Marketplace member organizations, the Secretariat has led the vendor registration reform project. The project was launched in 2012, by the High-level Committee on Management Procurement Network and was supported with funding from the Harmonization of Business Practice Steering Committee of the High-level Committee on Management. The vendor registration process was significantly simplified, with a view to better accommodating vendors from developing countries and economies in transition. On 16 November 2013, the vendor reform project was concluded, with the implementation of a single vendor registration system used by all United Nations Global Marketplace member entities. The new registration system includes a basic level allowing suppliers to register quickly by providing only the most essential company information, while the additional two qualification levels provide for more stringent registration requirements and associated due diligence for contract award values exceeding certain thresholds.

53. With the introduction of Umoja and its single, global vendor roster, the Organization is seizing a unique opportunity to further consolidate and streamline previously segregated vendor registration and management processes. The Procurement Division will continue to harness these efforts and establish an operational framework for the global management of the United Nations Secretariat Vendor Roster. This framework will feature a centralized approach for comprehensive legal and financial due diligence review and vendor sanctions. To this end, the Office of Central Support Services has established an interim master data management team operating from the Global Support Centre in Brindisi, Italy. The effort has been highly successful in removing duplicate, inaccurate and incomplete records from the vendor roster. Several dozen disparate vendor databases have been streamlined to a single workable platform serving all the Secretariat entities, including the field. In order to maintain this effort, and make it sustainable, the Secretariat will request that existing temporary resources be regularized.

### 4. Enhanced financial monitoring system

54. The Procurement Division has formulated a new monitoring and evaluation framework in response to a changing financial and supplier landscape. The new

evaluation framework takes into account lessons learned by the Division and 18 international organizations and conforms to the financial industry's best practices. Major attributes of the new system are:

- Abandonment of the “one-size-fits-all” approach to the evaluation at the time of initial registration in favour of tailored evaluation relevant to specific industries
- Use of ratios and benchmarks that are in line with latest financial management techniques
- Relevant financial evaluation by moving some of the focus to more critical procurement phases such as pre-qualification, proposal evaluation and contract award
- Periodic review of the financial health of suppliers holding high-risk and/or high value contracts with the Organization.

The updated methodology described above serves to ensure sufficient risk management while at the same time providing operational efficiency and enhancing international competition.

## **5. Vendor Review Committee**

55. The Vendor Review Committee serves as a review board for the following issues:

- Applications to the Register of Vendors that do not meet the registration criteria
- Complaints from requisitioners and/or other United Nations staff against vendors who were alleged to have failed to perform in accordance with the terms and conditions of contracts awarded.

56. In addition to the points stated in paragraph 55, the Vendor Review Committee places a special emphasis on upholding the Procurement Division's Supplier Code of Conduct. For vendors that engage in proscribed practices, including but not limited to corruption, fraud, coercion, collusion, obstruction or any other unethical practices, the Committee examines their registration status in consultation with the Ethics Office, the Office of Legal Affairs and the Office of Internal Oversight Services on an ad hoc basis. The practical experience has proven that a proper functioning of the above-described enhanced Vendor Review Committee mechanism alleviates the need for the Senior Vendor Review Committee.

57. Implementation is planned for the model policy framework for vendor eligibility, adopted by the High-level Committee on Management Procurement Network. The Procurement Division is currently evaluating the mechanism, procedures and supporting structure that will be necessary for successful execution of the model policy framework in the Secretariat's operational environment.

## **G. Joint or cooperative procurement activities with other organizations of the United Nations system: “One United Nations” procurement concept**

### **1. High-level Committee on Management Procurement Network**

58. The High-level Committee on Management Procurement Network enhances the efficiency and effectiveness of the procurement function within the United Nations system through, among other things, collaborative procurement arrangements and the simplification and harmonization of procurement practices, and by fostering professionalism among staff responsible for procurement functions. The Procurement Division contributes actively to several working groups of this Network, including in the areas of harmonization, vendor management and supplier access. Through its participation in the biannual meetings of the Network, the Division stays informed about activities of other working groups, such as sustainable procurement and professionalization, as well as other key developments and initiatives in the realm of procurement, including reform projects and latest technological developments. Examples of outputs delivered by the Network include the revised Supplier Code of Conduct, a harmonized and simplified vendor registration process through the United Nations Global Marketplace, a model policy framework for vendor eligibility, guidelines for organizing entities of multi-agency business seminars, a standardized table of contents for United Nations organizations’ procurement manuals, and a compendium of procurement training programmes available within the United Nations system.

### **2. New developments in cooperation with United Nations system agencies**

59. The Procurement Division continually supports the coordination of procurement across United Nations entities through strategic collaboration. United Nations system agencies are able to place orders against Procurement Division system contracts, and agencies’ needs are at times incorporated into requirements for new contracts in support of a specific mission or headquarters. For example, fuel contracts established by the Procurement Division can be utilized by locally based agencies, resulting in lower fuel costs for smaller agency offices through economies of scale gained by combining agency requirements with those of the larger peacekeeping missions.

60. As recommended by the Joint Inspection Unit in paragraph 246 of its note on procurement reforms in the United Nations system (JIU/NOTE/2011/1), the High-level Committee on Management Procurement Network initiated a project to explore the opportunities of collaborative procurement of vehicles on behalf of various United Nations organizations. The Secretariat is currently conducting an international competitive tender for passenger vehicles, including 4x4 station wagons, sedans, minibuses, buses and pick-ups, in support of all United Nations missions and United Nations entities worldwide, based on common vehicle requirements and the consolidation of estimated procurement volumes. Conceptually, the project is coordinated by the United Nations Development Programme, with the support of external consultants providing overall project management assistance, and facilitating, under the leadership of the Secretariat, the preparation of common specifications to ensure the widest possible coverage of the United Nations needs worldwide. All major United Nations organizations participated in the definition of the requirement and evaluation criteria. The

resulting contracts, with a planned duration of up to five years, are planned to commence during the first half of 2015 and will include full after-sale support to the United Nations fleet for the entire life cycle of the vehicles.

61. Among other partners of the Secretariat, the United Nations Office for Project Services (UNOPS) plays a special role in the support of field operations. While it is understood that UNOPS has limited capacity to add value in the area of procurement, its support in project management, quality control and assurance as well as contract management can be extremely valuable. This has been reflected in the new memorandum of understanding signed with UNOPS in 2014. The new delegation of authority issued to the Under-Secretary-General for Field Support pursuant to the memorandum of understanding builds on synergies between the two organizations by cutting through bureaucratic red tape. A thorough review of the existing arrangements based on experience and lessons learned under the new memorandum of understanding is envisaged in due course.

### **III. Challenges**

#### **A. Need for further consideration of sustainable procurement**

62. Sustainable procurement integrates requirements, specifications and criteria that are compatible with and supportive of the protection of the environment, social progress and economic development, “namely by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs”.<sup>4</sup> In this connection, the Secretary-General has noted recommendation 10 of the Joint Inspection Unit in its report entitled “Environmental profile of the United Nations system organizations” (see [A/65/346](#)) that the “executive heads of the United Nations system ... should establish in-house sustainable procurement policies and guidelines, taking account of the local conditions of the host country and the needs of the field offices”. The possible introduction of a sustainability concept with various social and environmental requirements represents one of the major development opportunities for United Nations procurement. Sustainable procurement would be implemented in a manner consistent with the Organization’s procurement principles of best value for money, fairness, integrity and transparency, effective international competition, and the interest of the United Nations.

63. In order to effectively move forward with the effort towards implementing sustainable procurement, the following key actions must be undertaken: (a) a thorough analysis of cost and non-cost benefits of sustainable procurement; and (b) segments of the United Nations procurement market where the implementation of sustainable procurement would bring the most results with minimized financial and operational risks must be defined. Should Member States approve this approach in principle, the Procurement Division would, in cooperation with other Secretariat stakeholders, initiate a low-impact pilot project.

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<sup>4</sup> Definition adopted by the High-level Committee on Management Procurement Network.

## **B. Existing tools and vision for rapid response**

64. In the past, United Nations procurement has been frequently criticized for delays in the delivery of goods and services urgently needed in force majeure situations. In order to address this concern, and as part of lessons learned during the Haiti relief operation, the Assistant Secretary-General for Central Support Services granted an emergency delegation of procurement authority in order to take immediate procurement action and report acquisitions to the Headquarters Committee on Contracts on an ex post facto basis. Such authority is currently being used in the procurement of goods and services for the United Nations Mission for Ebola Emergency Response (UNMEER) (for its role in tackling Ebola outbreaks) and was previously granted for emergency response following the earthquake in Haiti in 2010. In addition, in order to address urgent requirements, the Procurement Division has the flexibility to condense timelines for new procurement processes. Such shortened timelines were critical in facilitating the urgent support required during respective start-up phases of MINUSMA and MINUSCA.

### **Efforts of the United Nations Mission for Ebola Emergency Response**

65. Following the establishment of the Ebola Crisis Centre at United Nations Headquarters in New York, the Procurement Division has been instrumental in coordinating the global procurement efforts in support of UNMEER. In that context, the Division is working closely with all relevant agencies, such as the World Health Organization, the World Food Programme (WFP), the United Nations Children's Fund and other stakeholders to ensure a rapid and efficient response.

66. On 12 September 2014, the Assistant Secretary-General for Central Support Services activated the delegation of authority for emergency situations to the Director of the Procurement Division. This emergency delegation grants authorization to enter into contracts for currently \$50 million, with such cases being presented on an ex post facto basis to the Headquarters Committee on Contracts. As a condition of this authority, the Director has to provide on every third day reports to the Assistant Secretary-General on all acquisitions effected under this emergency delegation of procurement authority.

67. Following the adoption of Security Council resolution 2177 (2014), the Procurement Division has been working closely with UNMEER and the Department of Field Support to support in the establishment of mission infrastructure for facilities in the three most affected countries and signature of a technical agreement with WFP to use the United Nations Humanitarian Response Depot facilities in Accra. Other activities included the setting up of offices and operations, such as the establishment of a contract for satellite services and various telecommunications requirements, ground handling services, information technology consultants, and several other supplies such as non-contact thermometers, isolation capsules, and so forth. Further, the Procurement Division established the fuel supply agreement for UNMEER for deliveries and service in Ghana as well as in Guinea, Liberia and Sierra Leone. The Division also arranged for the airlift of vehicles from the United Nations Interim Force in Lebanon, UNAMID and the United Nations Logistics Base. In addition, the Division has also facilitated the deployment of helicopters to UNMEER through the activation of optional aircraft from existing contracts. The Division is also working on the establishment of turnkey United Nations Ebola

clinics in the three affected countries in addition to providing medical equipment and supplies for Sierra Leone and Guinea for United Nations non-Ebola clinics.

#### **IV. Conclusion**

68. Building on the opportunity created by the implementation of Umoja, and recent advances to strengthen and streamline procurement processes, the Procurement Division operations are in transition, from a more transactional function to a strategic partner in procurement and supply chain management. Such a strategic shift will result in greater efficiencies, a more intelligent use of resources and enhanced capability to respond to crisis situations, and will foster a greater degree of professionalization of procurement staff. In its leadership capacity, the Division will continue to extend its support and guidance to global procurement activities and identify as for inter-agency cooperation. A holistic strategy of operational efficiency in supply chain management combined with enhanced capability to promote adherence to best industry policy and practices, equips the Division to not only generate value in compliance with the United Nations regulatory framework, but also to mitigate the risk of reputational and financial adversity to the Organization as a whole.

69. The General Assembly is requested to take note of the present report.

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