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

Procurement activities in the United Nations Secretariat

Report of the Secretary-General

Summary

Pursuant to General Assembly resolution [72/266 B](#) on shifting the management paradigm in the United Nations, the Secretary-General has prepared the present report on the policy and compliance elements of procurement that fall under the responsibility of the Department of Management Strategy, Policy and Compliance, and the operational procurement activities of the Organization under the newly established Office of Supply Chain Management of the Department of Operational Support. In the present report, the Secretary-General also informs the General Assembly of the new procurement management strategy and key priorities of the Organization, including: (a) an efficient, agile, client-oriented and accountable procurement operation; (b) increasing access to the United Nations procurement market; (c) professionalizing procurement; (d) improving transparency and risk management; (e) cooperation within the United Nations system; (f) e-procurement; and (g) innovation and alignment with the sustainable development agenda. In addition, pursuant to the request by the Advisory Committee on Administrative and Budgetary Questions expressed in its report dated 2 March 2017 ([A/71/823](#)), the Secretary-General has included updates on the various initiatives undertaken by the Secretariat and presented to the General Assembly in his previous reports on the procurement activities of the Secretariat.

* Reissued for technical reasons on 29 January 2019.



I. Introduction

1. The 2017 Annual Statistical Report on United Nations Procurement¹ illustrates a continuing increase in the total procurement of goods and services for a sixth consecutive year. In 2017, the overall procurement volume within the United Nations system increased to \$18.6 billion from \$17.7 billion in 2016. The Secretariat represents one of the largest and most complex procurement operations within the United Nations system, with a global procurement value totalling \$3.2 billion in 2016 and \$3.0 billion in 2017. In 2017, air transportation remained the highest area of expenditure (\$515 million), followed by information and communications technology (\$424 million), food and catering (\$419 million), fuel (\$399 million) and building and construction (\$285 million).

2. In the past decade, efforts have been made to strengthen internal control and oversight mechanisms, increase transparency and manage the United Nations procurement function more strategically. The management reforms initiated by the Secretary-General will work to optimize the acquisition process within a new integrated end-to-end supply chain management approach under the Office of Supply Chain Management in the Department of Operational Support.

3. In addition, the new management paradigm will be implemented with the assistance of a new procurement strategy and its key priorities, including: (a) an efficient, agile, responsive and accountable procurement operation; (b) increasing access to the United Nations procurement market; (c) professionalizing procurement; (d) improving transparency and risk management; (e) cooperation within the United Nations system; (f) e-procurement; and (g) innovation and alignment with the sustainable development agenda. Central to shifting the management paradigm is the ability to provide a timely and client-orientated procurement service, based on a simplified and streamlined process. This is being addressed through a new administrative instruction on procurement, developed by the Department of Management Strategy, Policy and Compliance, and a revised Procurement Manual and other operational guidance, developed by the Department of Operational Support. Strengthened oversight, monitoring and business intelligence will also help feed into the ongoing re-engineering of business processes. Importantly, the acquisition process will be guided by the One United Nations initiative and take advantage of the value that others in the United Nations system are able to provide, through the principle of mutual recognition.

II. Towards a global Secretariat supply chain management system

A. Integrated Office of Supply Chain Management

4. The Office of Supply Chain Management, established pursuant to General Assembly resolution [72/266 B](#), encompasses the Logistics Division, the Procurement Division, the Uniformed Capabilities Support Division and the Enabling and Outreach Service, which together form the Organization's integrated supply chain and uniformed capabilities support. To enable more rapid service delivery and a heightened and holistic client response, the Secretary-General decided to consolidate logistics, enabling and procurement functions into a single entity managing the end-to-end supply chain and led by the Assistant Secretary-General of the Office of Supply Chain Management. The alignment of procurement and logistics from January 2019

¹ Available at www.ungm.org/public/asr.

seeks to strengthen collaboration between the two functions while maintaining effective checks and balances and the segregation of responsibilities between the commercial and technical functions in the acquisition process. In addition, a dedicated Uniformed Capabilities Support Division will support the end-to-end force generation, deployment and reimbursement process, and will serve as a single point of entry for support issues related to military and police contingents, thereby improving the quality of the interaction between the Secretariat and troop- and police-contributing countries.

B. Umoja Extension 2

5. The operational aspects of the integrated supply chain will be supported through the following three components of Umoja Extension 2, which are to be fully deployed by the end of 2019 and will improve management in the new integrated environment of the Office of Supply Chain Management:

(a) The deployment of the Transportation Planning and Management and Track-and-Trace component will integrate all aspects related to transportation management in Umoja, providing logistics and procurement teams with enhanced visibility and control over the global movement of goods and shipments;

(b) The Demand Planning and Supply Network Planning component will provide a single integrated platform for all United Nations entities to develop a net demand plan, source plan and acquisition plan;

(c) The Uniformed Capabilities Management System will improve process efficiency through standardized and template-based data entry, provide better access to centralized data, and create clearer process workflows and streamlined verification, inspection and troop strength reporting.

C. Introduction of category management

6. Category management is a strategic approach that focuses on the major areas of organizational spending and involves multifunctional teams to develop and implement category-specific strategies that maximize long-term value for an organization by adopting a tailored approach to each supply market that effectively delivers on the needs of that organization. The underlying approach is to organize the acquisition of related goods and services based on areas of spending and commonalities in terms of supply markets, vendors or usage characteristics.

7. The Office of Supply Chain Management is implementing category management with the assistance of external experts who have helped to identify successful practices from public- and private-sector organizations that could be applied in the Secretariat context. Today, many global private- and public-sector entities consider category management to be an essential element of their strategic procurement approach. Effective category management is built on the concept of multifunctional teams that work close to one another to improve the acquisition process but retain their respective functional reporting lines, so as to ensure the necessary segregation of duties. The requisitioning function retains the responsibility for demand analysis and the development of appropriate specifications for requirements as well as for the communication of demand forecasts, while the procurement function ensures the optimized acquisition of key requirements for the Organization.

8. The implementation of category management enables the Secretariat to focus on supply market capabilities and to develop market-specific strategies. It emphasizes

value creation to improve the total cost of ownership – “life cycle cost” – factoring in quality, innovation, risk management and sustainability principles. Clear responsibilities and processes for the development and implementation of strategies for each category, including stakeholder involvement and vendor management, are being put in place.

9. Category strategies for all the requirements of the entire Secretariat will be developed over the next three years. As part of the implementation process, a few categories have been determined as priority areas to be developed first, and are planned for completion by July 2019. Those priority categories include aviation, fuel, travel, physical security infrastructure and freight forwarding.

10. A robust and inclusive governance mechanism for category management will ensure effectiveness and appropriate oversight of progress and compliance. The category management governance model – including roles and responsibilities of various stakeholders, key performance indicators and performance management in the category management process – will be developed by July 2019.

D. New structure of the Procurement Division

11. The procurement functions have been reorganized to align directly with the category management approach, to be implemented jointly by the Logistics Division and the Procurement Division. As of 1 January 2019, the Procurement Division has been restructured to align directly with category management approach and with the Logistics Division, which was previously restructured based on the category management approach, pursuant to General Assembly resolution [71/295](#). The Procurement Division now consists of two services: the Technology and Infrastructure Support Service, responsible for information and communications technology, corporate support, security and facilities/infrastructure categories; and the Transportation and Life Support Service, responsible for aviation and transportation, fuel, health care and food categories. In addition, the Regional Procurement Office in Entebbe, Uganda, has been renamed the Global Procurement Support Section and will report directly to the Office of the Director, Procurement Division.

12. Technical backstopping functions previously performed under the Procurement Division, such as bid opening, business intelligence and operational reporting, and vendor registration and outreach, have been transferred to the Enabling and Outreach Service in the Office of Supply Chain Management.

13. As of 1 January 2019, the Vendor Review Committee was transferred to the Department of Management Strategy, Policy and Compliance (see [A/72/492/Add.2](#)). The Committee will continue to review the cases of vendors alleged to have engaged in proscribed practices, such as fraud and sexual exploitation and abuse, as well as vendors not able to meet performance or registration requirements. With the restructuring, the Procurement Division will no longer be involved in decision-making emanating from the Committee’s deliberations. The repositioning of the Committee and the vendor registration and outreach activities outside the Procurement Division offers improved segregation, thus reducing the potential risk of influence over the due diligence review of vendors.

III. Procurement management strategy and priorities

14. To support the efficient and effective delivery of procurement services across the Organization, the Secretary-General is proposing a new procurement management strategy containing the below key priorities.

Efficient, agile, client-oriented and accountable procurement operations

15. A number of policy and process changes have recently been launched with success, including increased thresholds for low-value acquisition and blanket purchase orders to address operational requirements, along with deploying Umoja across the global Secretariat to enhance visibility and oversight over global procurement. Further process improvements are currently being implemented in line with the vision of the Secretary-General on the new management paradigm presented in his report on shifting the management paradigm in the United Nations: ensuring a better future for all (A/72/492), including the expansion of e-tendering to the global Secretariat, professional certification requirements for procurement officials, the removal of the duplicative contracts committee review, the revision of the Procurement Manual, the introduction of a dedicated administrative instruction covering procurement policy and the introduction of e-signature and e-filing. The framework of the delegation of procurement authority has been rationalized to bring decision-making authority closer to the point of delivery while ensuring that decisions made under the delegated procurement authority are supported by streamlined and simplified processes and greater accountability.

16. The Procurement Manual is being revised to allow the Organization to be more agile and responsive in the area of procurement, while taking into account the latest best practices in public procurement. A new administrative instruction will separate the policy framework and procurement principles from the procurement procedures contained in the revised Procurement Manual and operational guidance developed by the Department of Operational Support. The new Procurement Manual will be a “living” document that will be updated on an ongoing basis and made available through the common policy compendium platform.

17. A single-layer review by committees on contracts was introduced in 2019 to eliminate unnecessary duplication and delays in the process. There will no longer be a need for a local committee review if a case meets the Headquarters Committee on Contracts threshold, thereby allowing for a more expeditious decision-making process.

Increasing access to the United Nations procurement market

18. In order to increase access to the United Nations procurement market, the Organization has for a number of years been implementing comprehensive outreach measures to encourage vendors to participate in the United Nations market through business seminars and through various online platforms, including the Procurement Division’s website, the United Nations Global Marketplace and the “United Nations Procurement” mobile application, which offers essential procurement information on both iOS and Android platforms. The Secretary-General is committed to finding new and innovative ways to ensure United Nations procurement opportunities are made as open and accessible as possible for vendors, in particular vendors from developing countries and countries with economies in transition, giving particular consideration to the need to encourage participation from small and medium-sized vendors (as further elaborated in section V below). In today’s global supply chains, it is important to remember that many vendors sell goods or finished products containing components that are produced in developing countries and countries with economies in transition.

Professionalizing procurement

19. The path to a high-performing procurement function requires having motivated staff with the right skills and knowledge. Continued professionalization of the procurement function of the Organization is thus a key priority of the Organization’s procurement management strategy, and is responsive to a perennial recommendation of the Board of Auditors that staff working in procurement be required to meet

mandatory training standards. By 1 January 2021, all procurement staff will need to be professionally certified to different levels, depending on their grade, by an approved, internationally recognized authority. In addition, the new Procurement Manual includes a strengthened ethics and anti-fraud framework to help prevent, detect, deter, respond to and report on fraud and corruption in procurement and to address observations made by the Board on that issue.

Improving transparency and risk management

20. The Secretariat has developed a dashboard to provide real-time visibility of data through Umoja, which enables management to monitor the status of active contracts by country, contract type, vendor, contract value expiration period, etc. The Office of Supply Chain Management is further exploring the possible introduction of additional capacities and tools to support procurement activities, utilizing the business intelligence information available through Umoja, including what is available in the public domain. Improved access to reliable data will contribute to shaping the future procurement management strategy of the Organization, facilitating better-informed and effective decision-making and increasing transparency. Given the complexity of many of the procurement activities undertaken by the Organization worldwide and the operational, reputational and other risks that may arise, the Secretariat will continue to improve its internal control mechanisms and risk management following the “Three Lines of Defense” model, as explained by the Secretary-General in the seventh progress report on the accountability system in the United Nations Secretariat: strengthening the accountability system of the Secretariat under the new management paradigm ([A/72/773](#)).

Cooperation within the United Nations system

21. While many organizations have common requirements for goods and services, each of them has its own procurement office to support its mandates. Although United Nations entities occasionally “piggyback” on existing contracts established by another organization, collaborative procurement has been limited up to now. Challenges include difficulties in arriving at an agreed methodology for prioritizing procurement requirements, aligning terms and conditions and reaching consensus on the specifications to accommodate the operational needs of each organization. In addition, there are likely to be other procurement-related functions, such as advisory committees and performance management, for which each organization has established its own mechanisms, thus necessitating additional reviews, duplication in efforts and adding to the administrative burden and timeline for each operation. In response to General Assembly resolution [71/243](#), in which the Assembly underscored that entities within the United Nations development system should operate according to the principle of mutual recognition of best practices in terms of policies and procedures, with the aim of facilitating active collaboration across agencies and reducing transaction costs for Governments and collaborating agencies, the Secretary-General, along with Executive Heads of the World Food Programme (WFP), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children’s Fund (UNICEF), the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the International Labour Organization (ILO) and the United Nations Office for Project Services (UNOPS), have agreed to recognize each other’s administrative processes. That represents significant progress in our joint efforts to strengthen system-wide collaboration in business operations and to take advantage of the value that others in the United Nations system are able to provide. Henceforth, the Secretariat intends to play a lead role in moving that agenda forward.

E-procurement

22. E-procurement tools have been used for over 30 years in the private sector to achieve efficiencies and cost savings in business transactional costs, and they are now also widely used across the public sector. The Secretary-General has carefully analysed the advantages and disadvantages of introducing digital technologies in procurement, in order to avoid potential negative consequences for clients and vendors and to ensure that the Organization's operations are efficient and subscribe to best practices (as further described in section VIII below). Following the implementation of e-tendering on a pilot basis, the Procurement Division, in consultation with the other United Nations organizations, intends to introduce e-tendering across the Organization and a web-based, catalogue-type ordering system that may be hosted on the United Nations Global Marketplace website to facilitate processing of orders directly by field offices.

Innovation and alignment with the sustainable development agenda

23. Given the scale of its supply operations and its mandate, the United Nations has the potential to motivate markets to innovate and contribute to achieving the Sustainable Development Goals.

24. In support of Goal 12 and target 12.7, to promote public procurement practices that are sustainable, the United Nations system entities have been working on inter-agency initiatives to establish guidelines and follow procurement practices that support the social, economic and environmental principles of sustainable development.

25. In its resolution [72/219](#), the General Assembly further mandated the Secretariat to implement its action plan for integrating sustainable development practices into Secretariat-wide operations and facilities management ([A/72/82](#)), complementing earlier mandates specific to field missions. The action plan is under implementation in accordance with existing legislative frameworks. Headquarters, regional commissions and field missions are at various stages of establishing their environmental management systems to reduce risks and achieve resource efficiencies, with a focus on waste and water management, and on creating facilities that address energy efficiency and renewable energy initiatives. The Office of Supply Chain Management is committed to supporting those efforts.

26. The overall objective is to enable clients to operate in a manner that minimizes negative environmental, social and economic impacts instead positively influences the achievement of Sustainable Development Goals, including through innovative solutions.

IV. Provision of effective and efficient acquisition services at Headquarters and in hubs and field offices

A. Alignment of procurement authorities and accountability standards

27. In line with the new management paradigm, the Secretary-General has rationalized a delegation of authority framework to align authority with responsibility. Under the new framework, the Secretary-General has delegated unlimited procurement authority, with some limitations, directly to the heads of entity, who, in turn, have further delegated authority to heads of administration and to qualified procurement officials to ensure proper stewardship of public funds. The enhanced delegation to heads of entity is subject to a capacity assessment to ensure

that the respective entity has the appropriate systems, staffing and internal controls in place to exercise the procurement delegation responsibly.

28. To ensure the most cost-effective use of resources and economies of scale, and to benefit from technically and commercially sophisticated expertise for the procurement of high-risk, high-value and/or inherently complex requirements, the procurement of strategic goods and services² will be conducted through central operational support,³ as delegated to the Under-Secretary-General, Department of Operational Support. Similarly, authority to enter into letters of assist will remain centrally with the Department of Operational Support, since the General Assembly has directed that activities involving close interaction with Member States should remain at Headquarters.

29. The Business Transformation and Accountability Division within the Department of Management Strategy, Policy and Compliance will monitor and evaluate the use of delegated procurement authority and segregation of duties. Through its activities, the Division will ensure that those managers to whom authority is granted receive the guidance, tools and training they need to exercise their delegated authorities properly. In cases where delegated authority has been withdrawn, suspended or limited by the Secretary-General on the advice of the Under-Secretary-General of the Department of Management Strategy, Policy and Compliance, the Department of Operational Support will work with the entity in question to enhance its capability until such time that the entity can exercise the delegated authority responsibly. Personal accountability will be strengthened through assessments of senior managers' performance, which will be reviewed periodically by the Management Performance Board and the Secretary-General.

B. Mission planning

30. It is envisaged that planning functions will be more integrated with simplified and standardized processes for supply chain management, including procurement arrangements, under the Office of Supply Chain Management guidance and in close coordination with the Division of Special Activities in the Department of Operational Support. Details are being developed as to how such close coordination would work in practice, including the full engagement of procurement professionals during all stages of the integrated planning process, with a view to identifying and delivering bespoke procurement solutions in a timely manner. An integrated planning process will allow structured and streamlined global, regional and local support, including consideration for cooperation with the United Nations country team, in order to ensure optimal procurement decisions and to identify suitable procurement support capacity for new missions.

C. Global Secretariat procurement support trends

31. Recent studies undertaken by the Procurement Division have shown that the vast majority of Secretariat procurement expenditure is generated through contracts established by the Procurement Division and the Regional Procurement Office, now known as the Global Procurement Support Section. Procurement staff located in field missions perform primarily transactional procurement functions and relatively low-value local procurement. At the same time, the majority of procurement staff (56 per

² Strategic goods and services are those that benefit from centralized management, such as economies of scale, i.e. those that involve high risk, high complexity or standardization, including aviation, food rations, fuel and pharmaceuticals.

³ See [A/72/492](#), para. 47.

cent) are currently located in and attached to field missions. Of the remainder, 27.1 per cent are in the Procurement Division and 16.9 per cent are in offices away from Headquarters, tribunals and regional commissions. Further data shows that, in 2017, the average procurement volume per procurement staff member varied from \$134,400 to some \$1.8 million at the different peacekeeping missions and field-based special political missions, and from \$914,000 to \$6.8 million at offices away from Headquarters, tribunals and regional commissions.

32. The Secretary-General envisions that more procurement work could be effectively consolidated in the future away from field missions, where security risks are typically higher. Following the periodic analysis of the functions and role of the Global Procurement Support Section, as well as data obtained through Umoja, the Office of Supply Chain Management, in consultation with clients and other stakeholders, is looking to further streamline procurement services to be rendered by the Section and thus improve the value it brings to its clients through, for example, the consolidation of additional requirements to achieve economies of scale and volume discounts.

Global Procurement Support Section (formerly Regional Procurement Office in Entebbe)

33. The General Assembly, in its resolution [72/266 B](#) requested the Secretary-General to submit proposals on strengthening the role of regional procurement hubs, in particular the Global Procurement Support Section in Entebbe, in the context of the present report on procurement.

34. The integration of the Global Procurement Support Section under the Office of Supply Chain Management is aligned with General Assembly resolution [70/286](#), taking into account the recommendation of the Board of Auditors ([A/71/5 \(Vol. II\)](#), chap. I, para. 248). The Global Procurement Support Section has the potential to strengthen its role to better serve its client missions and offices in the region, to provide cost efficiencies and to reduce the risk of the procurement process. Since its inception in 2010, the Section has broadened its clientele to include small offices with no dedicated and/or professional procurement capacity.⁴ The integration of the Section under the Office of Supply Chain Management also offers an opportunity to broaden the procurement support service being provided beyond that of the peacekeeping clientele to other Secretariat entities in the region, such as the Office for the Coordination of Humanitarian Affairs, the United Nations Office at Nairobi and the Economic Commission for Africa.

35. To date, the Global Procurement Support Section has established 88 regional systems contracts and 375 mission-specific contracts, with overall not-to-exceed

⁴ The clients and beneficiary missions of the Global Procurement Support Section include the African Union-United Nations Hybrid Operation in Darfur, the United Nations Mission in South Sudan, the United Nations Support Office in Somalia, the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), the United Nations Interim Security Force for Abyei, the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic, the United Nations Mission for the Referendum in Western Sahara and the Office of the Special Envoy of the Secretary-General for Burundi. The Section provides full procurement services to the latter Office, as well as the Regional Service Centre in Entebbe and the Support Services MONUSCO Logistics Hub – Entebbe. In addition, the United Nations Multidimensional Integrated Stabilization Mission in Mali, the United Nations Interim Force in Lebanon, the International Residual Mechanism for Criminal Tribunals and the United Nations Mine Action Service regularly use the contracts established by the Section. The Section also provides procurement support for the Office for the Coordination of Humanitarian Affairs. Effective 1 January 2019, the Section provides procurement support to the United Nations Regional Office for Central Africa and the United Nations Office for West Africa and the Sahel/Cameroon-Nigeria Mixed Commission.

values of \$421.3 million and \$607.7 million, respectively. In addition to the 12 regional systems contracts and 29 mission-specific contracts established in 2017/18, in the first five months of 2018/19, the Section set up 10 regional systems contracts and 16 mission-specific contracts in the amount of \$13.6 million. The Section aims to establish 28 additional regional systems contracts and 42 mission-specific contracts before 30 June 2019.

36. An intensified outreach campaign conducted by the Global Procurement Support Section to promote the increased participation of vendors from developing countries and countries with economies in transition resulted in 5,325 new vendors being registered from 1 July 2010 to 30 November 2018. In addition to having conducted 40 business seminars on how to do business with the United Nations in 16 countries during the same period, 24 per cent of the procurement contracts awarded were to vendors who had received assistance with the vendor registration service from the Section.

37. Pursuant to General Assembly resolution [69/273](#), and further to the review of the most suitable resourcing structure, as of 1 July 2017, the Global Procurement Support Section has its own organizational unit and cost centre in Umoja, including its own budget allotment and staffing table.

D. Solicitation methodologies in the procurement of long-term air charter service

38. Following the first pilot request for proposal, which was conducted in 2014/15 in support of the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo, the Secretariat successfully completed two additional request for proposal exercises: one for the provision of medium to heavy cargo transport services for the United Nations Mission in South Sudan (UNMISS) (contract awarded in 2017) and, most recently, for comprehensive air transport services in support of the African Union-United Nations Hybrid Operation in Darfur (contract awarded in 2018).

39. All three requests for proposal completed to date clearly highlight the potential for enhanced international competition in the United Nations aviation market, with a greater number and more variation in offers received than was typical under the invitation to bid method for similar requirements.

40. The three request for proposal procurement exercises resulted in added value to the Organization in comparison to the previous fleets of aircraft they replaced, with increased technical capability and monetary savings. Moreover, the solution resulting from the request for proposal methodology presents various operational benefits, such as a reduced aircraft downtime and enhanced 24-hour search-and-rescue and medical evacuation capabilities with night vision ability.

41. From a commercial perspective, the request for proposal method entails changes in contractual provisions and a costing model (especially with the inclusion of fuel costs), which is more in line with industry standards and best practice, thus making it more attractive to the market and increasing the organization's supplier base.

42. As a result of the higher market response, combined with the volume and relative complexity of information requested from proposers, the time taken to complete request for proposal evaluations is longer, on average, than for invitation to bid exercises. It is reasonable to expect that the amount of time taken for each request for proposal will decrease in the future as the Organization gains experience in conducting such exercises and streamlines the request for proposal documentation and process.

43. As requested by the General Assembly in its resolution 69/273, the Secretariat is working closely with the industry to ensure appropriate transparency is provided during the implementation of the request for proposal methodology for the acquisition of air services. In 2019, the Office of Supply Chain Management will conduct a review of the request for proposal solicitation methodology for aviation services to identify lessons learned and any opportunities to further streamline the process or achieve additional efficiencies.

V. Sourcing from global markets

44. As noted in the procurement management strategy, the Procurement Division continues to place a high priority on increasing access to the United Nations procurement market, in particular for vendors from developing countries and countries with economies in transition. The delivery of business seminars remains an important method of promoting the Organization's procurement opportunities and identifying new vendors (see table below).

Business seminars offered by the Secretariat during 2016–2018

<i>Year</i>	<i>Business seminar location</i>	<i>Events</i>	<i>Vendors in attendance</i>	<i>Joint events organized with other agencies</i>
2016	Developing and transitioning countries	24	3 054	8
	Industrialized countries	18	1 136	9
	Total, 2016	42	4 190	17
2017	Developing and transitioning countries	26	2 624	5
	Industrialized countries	10	857	6
	Total, 2017	36	3 481	11
2018	Developing and transitioning countries	28	2 481	10
	Industrialized countries	12	830	5
	Total, 2018	40	3 311	15

45. Business seminars are organized in consultation with Member States that express an interest in hosting a seminar and that arrange venues and invite potential vendors. The Procurement Division has also arranged training for staff from Member States, upon request, to allow them to facilitate the registration of vendors from their countries. The Office of Supply Chain Management intends to further expand its outreach efforts to include, for example, educational sessions on how to respond to formal solicitations, and a “ready to supply” quiz designed to help vendors find out if their business is ready to do business with the United Nations.

46. Given the international character of the Organization, the Secretary-General encourages all vendors to participate in its procurement activities. The number of vendors registered with the Secretariat through the United Nations Global Marketplace has been growing steadily. Statistics of the United Nations Global Marketplace for the period from 16 November 2013 to the end of 2017 show that approximately 67 per cent of vendors registered with United Nations system organizations were from developing countries and countries with economies in transition. The number of vendors from Eastern Africa showed a significant increase, from 3,252 vendors in late 2013 to 20,258 in late 2017. The number of vendors from Latin America increased 12-fold, from 1,223 vendors in late 2013 to 14,680 vendors

by the end of 2017. The United Nations Global Marketplace recorded approximately 112,500 vendors registered with the Secretariat in 2017, with approximately 72 per cent of vendors from developing countries and countries with economies in transition. The number of vendors registered with the Secretariat grew further to approximately 148,500 vendors by December 2018.

47. Nonetheless, procurement from vendors from the Asia and Pacific region and the Latin American and the Caribbean region remains relatively low. In that respect, the Secretary-General proposes that the General Assembly consider the feasibility of establishing a new regional procurement centre for information, knowledge and capacity-building, which would provide vendors in the respective regions with immediate assistance in processing applications for registration in the United Nations Global Marketplace, disseminating information on procurement opportunities, clarifying procurement procedures and practices of the Organization and training potential vendors. Such a regional office might also serve as another point of contact for vendors in the region whenever vendors need immediate advice.

48. In view of the cost implications for establishing such regional procurement support centre(s), the Secretary-General proposes that suitable existing facilities be identified that could be used and might be shared with other organizations within the United Nations system. Such arrangements would enable the Organization to start on a pilot basis with reduced resource requirements.

VI. Oversight and compliance: training and professionalization of the procurement function

A. Professionalizing procurement

49. During the reporting period, the Procurement Division continued to offer online courses to staff involved in procurement-related functions, through its Procurement Training Campus.⁵ Completion of the courses at the basic and intermediate levels is mandatory for procurement staff throughout the Secretariat. With the exception of new staff members, who have six months in which to complete the training, the Procurement Division is fully compliant with that requirement. The courses are open to all staff of the United Nations and its affiliated entities and make an important contribution to enhancing the Organization's procurement and contract management capacity. As at 31 October 2018, a total of 11,889 certificates for individual courses had been issued to 4,168 users from a total of 101 affiliated entities. Since 2007, the Procurement Division has provided face-to-face training at the basic level to 1,360 staff globally.

50. In relation to external professional studies, a total of 39 staff members from the Procurement Division and the field missions have been certified by the Chartered Institute of Procurement and Supply since 2011, while 75 staff members are currently pursuing a level-4 diploma and level-5 advanced diploma. In addition, the Procurement Division continues to provide staff with opportunities to enhance their professional skills in specialized areas.

51. In June 2018, the Procurement Division conducted a training session on bid rigging, to enhance fraud awareness among staff performing procurement and its related functions. The Assistant Secretary-General for Central Support Services, the Director of the Procurement Division and staff members from the Headquarters Committee on Contracts Secretariat, the Office of Internal Oversight Services (OIOS), the Department of Field Support and the Procurement Division attended the

⁵ See <https://procuretrainingcampus.dfs.un.org/login/index.php>.

training session, delivered in cooperation with the Organization for Economic Cooperation and Development.

52. The Secretariat has recently launched the “schoolhouse for supply chain management”,⁶ a cloud-based learning service accessible through mobile devices that offers courses in supply chain management as well as other topics, including sourcing and procurement, leadership, management, finance and analytics.

53. The Procurement Division is currently revising its professionalization programme and is committed to ensuring that all procurement staff become professionally accredited. This is a critical element of the Organization’s procurement strategy and makes for a high-performing procurement function. The Procurement Division will continue to request funding on a recurrent basis to maintain its professionalization programme in furtherance of that objective.

54. Within the context of further professionalizing all procurement staff, the Procurement Division has remained committed to implementing the recommendation of the Board of Auditors that the Administration continue its efforts to develop a career path for procurement professionals (A/70/5 (Vol. I), chap. II, para. 142). As part of those efforts, the Division has continued to consult with the Office of Human Resources Management with the aim of introducing a new category for “supply chain management” in the young professionals programme, within the “administration” job family. The newly established Office of Supply Chain Management will further pursue that goal to promote the recruitment of talented, high-calibre professionals at the P-1 and P-2 levels to support the continued enhancement of procurement, logistics, supply chain management, contract management and other related functions. The Office will also devote efforts to developing a career path for procurement staff and other supply chain staff over the coming 24 months.

B. Internal controls and risk management

55. As a matter of priority, the Procurement Division continues to maintain and improve its strong internal control framework. A key element of the framework is the training and professionalization of procurement staff, as this helps to mitigate the risk of error and impropriety.

56. Other significant internal controls reinforced by the Procurement Division during the reporting period include the following:

(a) Segregation of duties. Following the introduction of Umoja, the Procurement Division continued to maintain the separation of roles between the requisitioning community and the purchasing community. The separation was achieved mainly through: (i) controls governing approval processes in the solution itself; and (ii) compliance with those policies and procedures that govern the procurement function, such as participation in bidders’ conferences and other meetings with vendors. The separation of purchasing functions from requisitioning, review committees and post-award functions continues under the Department of Operational Support, including with the inspection and receiving functions;

(b) Compliance monitoring. Through procurement assistance visits, the Procurement Division has provided guidance to field offices and assessed their compliance with existing policies and procedures, as well as guidance on good practices in public-sector procurement. Observations, recommendations and systemic issues have been shared with practitioners and managers, and implementation has been monitored by the Department of Field Support and the Procurement Division in

⁶ Including Supply Chain Operations Reference certifications.

order to ensure greater compliance. A total of 13 visits were conducted in 2017 and 2018, along with annual compliance reviews. Within the new management paradigm, the monitoring and evaluation of procurement functions will now be conducted by the Business Transformation and Accountability Division in the Department of Management Strategy, Policy and Compliance, in consultation with the Department of Operational Support. That separation of operations from policy and compliance is consistent with the recommendations of both OIOS and the Board of Auditors (see para. 34 above);

(c) Mitigation of conflicts of interest. Any staff member involved in the procurement process is required to alert the Ethics Office and procurement management of any potential conflict of interest arising from a relationship between the staff member or his or her immediate family and a vendor.

C. Award Review Board

57. The Award Review Board provides an opportunity for unsuccessful bidders that participated in an eligible competitive procurement process resulting in an award greater than \$200,000, to challenge the award. This is applicable to awards issued by the Procurement Division and, as of 1 January 2016, also those in the United Nations Office at Geneva, the United Nations Office at Nairobi and the United Nations Office at Vienna. The Board renders independent advice on the merits of the procurement challenge to the Under-Secretary-General of the Department of Management Strategy, Policy and Compliance.

58. From June 2016 to September 2018, the Registrar of the Award Review Board received 10 procurement challenges, of which 6 were rejected because they did not meet the criteria established for review. In two of the rejected cases, the Board determined that the challenges submitted by the vendors had been correctly and appropriately evaluated in accordance with the criteria established in the request for proposal; in one case, the Board determined that the mere disagreement with the selection process or the award decision had not provided sufficient basis for sustaining a procurement challenge; in one case, a vendor had submitted a complaint about a procedural issue; in one case, a vendor had submitted a complaint about another company; and in one case, a vendor had submitted a challenge despite the fact that it had not participated in the actual procurement process. The remaining four procurement challenges were not receivable because, in two cases, the challenges had originated from a solicitation conducted by UNMISS and the International Civil Aviation Organization; in one case, a challenge had been withdrawn by the vendor after receiving a further debriefing on its proposal; and in one case, the challenge had involved a procurement process that was still ongoing.

59. Currently, the Award Review Board receives challenges originating from solicitations conducted by Headquarters, offices away from Headquarters and the Global Procurement Support Section. In preparation for an expansion of that process, the Procurement Division has developed training materials aimed at increasing the capacity of procurement staff who debrief vendors in order to ensure that their questions and concerns are addressed at the appropriate stage. Since September 2015, 83 staff members, mostly from the Procurement Division and the Regional Procurement Office, have completed the training on debriefing unsuccessful vendors. It is important that consideration of any further expansion of the coverage of the Board be undertaken only after the debriefing process has been fully developed in other locations, including peacekeeping missions. The aim is also for any further expansion to be preceded by a review of the terms of reference of the Board, in the light of the experience gained to date and the implementation of the Secretary-General's management reforms.

VII. Cooperation with other United Nations organizations

One United Nations initiative

60. The Secretariat is keen to explore further opportunities to cooperate with other United Nations organizations to achieve efficiencies and to benefit from the respective expertise within the global United Nations system. In the spirit of the One United Nations initiative, the Procurement Network of the High-level Committee on Management is examining various areas of potential cooperation, such as the harmonization of procedures, vendor management through the United Nations Global Marketplace and the professionalization of procurement staff. The Secretariat has from time to time “piggy backed” on the long-term agreements developed by other United Nations organizations whenever such arrangements were to the benefit of the Organization. Best-in-class solutions for e-tendering and other technological tools are also under analyses based on the experiences of other organizations within the United Nations system.

World Food Programme joint shipping cell

61. The efforts to establish a joint shipping cell with WFP have been paused. While WFP has the expertise to handle its own specific logistics requirements, such expertise is not directly applicable to the complex requirements of the Secretariat, particularly those in the area of peacekeeping. The common scope of requirements between the Secretariat and WFP was found to be limited, as shipping lanes as well as market segments differed, and WFP did not possess experience in the movement of contingent-owned equipment. A benchmarking analysis for a complex transportation requirement of the Secretariat (United Nations-owned equipment) concluded that a higher degree of international competition and substantially lower costs could be achieved through the Secretariat’s own procurement apparatus.

62. The Secretariat has given serious consideration to other opportunities to cooperate with entities of the United Nations system and, for example, recently identified the long-term transportation agreements of UNICEF (with the participation of FAO, UNDP, the United Nations Framework Convention on Climate Change, UNFPA, UNHCR, UNOPS and UNRWA) as potentially being of interest. In that context, an initial analysis has shown operational similarities, and the Secretariat is liaising with UNICEF to review the freight forwarding contractual framework with a view to conducting a trial or pilot.

63. Parallel to that effort, the Procurement Division continues to pursue the establishment of global freight forwarding systems contracts in support of Secretariat operations worldwide, and is in the process of finalizing the request for proposal to that end. The resulting contracts will be open for other United Nations entities to utilize, as needed.

Joint vehicle procurement

64. Following the recent collaborative procurement exercise undertaken by the Procurement Division on behalf of the United Nations entities, contracts were established with different vehicle manufacturers or their authorized distributors for different types of passenger vehicles (e.g. station wagons, crossovers, sedans, buses and utility vehicles). Those contracts offer competitive prices and provide comprehensive after-sales support available in most countries and for the lifetime of the vehicles. The provision of full after-sale support has also been integrated into all other vehicle contracts established by the Procurement Division to allow the field missions and other entities to have access to genuine spare parts, tools, technical documentation, training and technical support.

65. The establishment of contracts under a collaborative procurement arrangement revealed important lessons. At the outset, the harmonization of the various stakeholders' requirements was a long and arduous process of blending competing priorities and restraining brand preferences so as to allow for genuine and effective international competition. Until the proposals had been received, it was not known that there is no single vehicle manufacturer with a particular vehicle make or model that is available in all of the countries where the United Nations system operates, owing to differences in fuel types and emissions standards as well as other commercial considerations. Vendors also expected the United Nations entities to commit to using the resulting contracts, but some entities could not. The requirements of the Secretariat were the largest of any United Nations entity, amounting to about one third of the combined estimated requirements, which resulted in not only effective competition, but in the whole of the United Nations system being able to benefit from economies of scale generated by the Secretariat.

66. Finally, collaborative procurement does not end with the establishment of contracts. The purchases made by the various entities must be monitored constantly. The decentralized procurement setup in most United Nations entities makes that task very challenging and leaves the Procurement Division with little visibility over any performance issues and data concerning the total volume of purchases of the United Nations entities, which is needed so as to determine the applicable volume discounts, cost-savings and efficiency gains. Those tasks also entail the dedication of additional resources that were not considered under the project's scope.

VIII. Evolving developments affecting Secretariat procurement

A. E-procurement

67. Since March 2015, the Procurement Division has been testing an electronic platform to issue tender documents and receive suppliers' submissions. While the pilot project was at the outset limited to requests for quotations for information and communications technology requirements, its scope has gradually increased and now encompasses requests for quotations, invitations to bid and requests for proposals for information and communications technology, logistics, transportation and corporate requirements issued by the Procurement Division, the United Nations Office at Geneva and the Global Service Centre procurement teams.

68. During the pilot programme, procurement officials of those three offices launched a total of 1,290 e-tendering exercises, resulting in the submission of 16,031 offers by 6,540 distinct vendors from 144 countries. A total of 2,033 distinct vendors from 102 developing countries or countries with economies in transition submitted offers through the e-tendering platform, a number that is expected to increase substantially as the e-tendering project exits the pilot phase and becomes the standard platform to be used for tenders across the Secretariat.

69. The Procurement Division can positively conclude that e-tendering is an efficient, effective, user-friendly and reliable mechanism. During the pilot, no member of the major stakeholder groups (procurement officials, requisitioners and vendors) reported any issue of significance. The platform has also proved to be more reliable when compared to other methods of tender delivery (facsimile, courier, postal or hand delivery). The results of the survey completed by vendors at the conclusion of a tender exercise validate that finding, with vendors considering the platform to be very or extremely user-friendly.

70. Considering the extensive testing and positive results, the Procurement Division will introduce e-tendering in 2019 as the standard for all tender exercises conducted

throughout the Secretariat, while allowing for exceptions where necessary. E-tendering saves time and reduces the administrative burden and costs for both the organization and bidders. It also removes the uncertainty associated with the delivery of bids and proposals through traditional means of postal and courier services, as well as the problems associated with the facsimile transmission of voluminous documentation. An assessment of possible platform options and integration opportunities (e.g. with Umoja) is currently being finalized. The main objectives of such an assessment are to ensure that the solution is accessible globally, is complemented by a robust support function and follows the organization's procurement policies.

B. Innovation and alignment with the sustainable development agenda

Innovation in procurement

71. Within the Procurement Network of the High-level Committee on Management, the Secretariat has been contributing actively to the following three key priorities for innovation in procurement, which have been identified as having the greatest and most positive impact:

(a) Consolidated/outsourced procurement. The outsourcing of procurement and further consolidation among the United Nations agencies provide an opportunity for significant gains. What to consolidate and whether to outsource procurement completely or to outsource portions to the private sector or to other agencies needs to be considered, to gain efficiencies and to be more effective. In 2019, the areas for outsourcing, and the identification of lead agencies, applicable categories/market segments and methodology, will be reviewed;

(b) Cognitive procurement. The capabilities of cognitive computing in relation to procurement include data mining, pattern recognition, forming of predictive analytics, and natural language processing, which could be applied to and enhance all aspects of the procurement process, and could also enable more informed decision-making. In 2019, the definition and scope, and the mapping of tools and technologies already being used across the United Nations agencies and in the private sector, will be finalized;

(c) Vendor management. The United Nations needs to engage vendors in a more proactive and strategic manner to spur innovation and excellence, and to give consideration to contracts that include incentives to enhance performance and develop innovative approaches. Such an arrangement could also lead to the co-development of innovative goods and services, strategic partnering with the private sector and co-ownership of intellectual property. In 2019, the appropriate areas and a few pilot initiatives will be selected; and mechanisms and robust key performance indicators, incentives and processes will be defined.

Procurement of innovative technology

72. Over 90 leading companies from 20 countries participated in the third United Nations Technology Fair, held on 23 and 24 October 2017 at the information and communications technology facility in Valencia, Spain, organized in cooperation with the Government of Spain, with innovative products and services in five selected areas of technological interest for field operations. Proposals from 13 companies were identified to be of special interest to the Secretariat. Some pilot projects proved to be too resource-intensive or costly for the perceived benefits, and so other avenues of incorporating those new technologies need to be examined. In one case, a time-limited trial period of a product has been initiated. To expedite the adoption of new technologies, the Procurement Division is working to implement a new modality

wherein the identification, testing and implementation of new technologies, along with other critical elements related to total cost of ownership, are formally incorporated into the process while ensuring that the process also takes advantage of rapidly changing market conditions. This new modality of undertaking evaluations that incorporate a broader analysis as part of the standardization process and pilot programme will allow the Organization to implement new technologies in a more expeditious and informed manner.

Procurement and alignment with the sustainable development agenda

73. To better align its operations with the Sustainable Development Goals, the Secretariat is committed to leveraging its strategic procurement function in advancing sustainable development. It will specifically support clients globally in meeting the environmental objectives of their environmental management systems and invest in resource efficient facilities and operations, including waste and water management, energy efficiency and renewable energy.

74. In doing so, the Secretariat expects procurement to support sustainable development wherever possible, notably: (a) by generating long-term operational efficiencies and savings; (b) by using more local resources more responsibly, thereby negating the harmful impact of pollution and waste; (c) by reducing hazardous substances and the impact on human health and the environment; (d) by advancing economic and social development, thereby signalling to the market the need for sustainable solutions and nurturing and helping product and service innovation.

IX. Conclusion

75. The Secretary-General is committed to building an efficient, agile and responsive procurement function that entities seek out not because they are required to use the service, but because of the value that it brings in helping them meet their mandates. The new Office of Supply Chain Management will provide different supply chain solutions for different situations, including by driving supplier innovation; through process improvement; by managing and alleviating supply-chain risk; through talent development to make available the skills necessary to support and enable the supply chain management processes; and through a strong performance management framework to measure, monitor and manage the supply chain to ensure effectiveness and efficiency. With continued support from Member States, the Secretary-General is confident that the management reforms in the area of procurement will bring about significant improvements to the United Nations and to the people we serve.

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