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Comments of the Secretary-General and those of the United Nations System Chief Executive Board for Coordination on the report of the Joint Inspection Unit "Procurement Practices within the United Nations system" (A/59/721/Add.1)

Mr. Chairman and distinguished delegates:

I am pleased to introduce, on behalf of the Secretariat of the United Nations System Chief Executives Board for Coordination, the Note of the Secretary-General conveying his comments and those of the organizations of the United Nations system on the report of the Joint Inspection Unit entitled "Procurement Practices within the United Nations system" (JIU/REP/2004/9).

Every organization of the UN system engages in procurement activities, some very extensive both in value and scope. As noted in this JIU report, procurement activities throughout the system represent approximately 37% of the system's combined resources, likely more now, a few years after the report was originally researched. While many aspects of procurement have come under scrutiny in recent years, this report endeavors to identify opportunities to increase the efficiency and effectiveness of procurement, especially through areas of increased inter-agency cooperation. In that vein, much of the analysis focuses on the mechanisms currently in place across the system to leverage the overall purchasing power of the entire system, and places particular attention on the inter-agency procurement working group.

For the most part, organizations of the system welcomed the comprehensive nature of the analysis presented in the report. They note that the report contains a useful overview of the key

areas of cooperation amongst agencies of the UN family, and touches on the key subjects of cooperation and capacity building, as well as provides some pointers towards more effective use of electronic procurement techniques. By stressing in its recommendations practices such as procurement performance benchmarks, lead agencies, training of procurement officers, multi-lingual manuals and information sharing, the JIU have focused on the tactics involved in moving the system towards what they see as a more rational approach to system-wide procurement practices.

However, while organizations of the system value the analysis, when it comes to the recommendations their response is more mixed. Whereas they accept some of the recommendations contained in the report, they usually do so with reservations or not in their entirety. This is best illustrated in recommendation 7, which contains, in its four parts, a call to strengthen the work of the inter-agency procurement working group. CEB members find most of this recommendation acceptable, with the exception of one part that calls for the formalization of the mandate of the procurement working group. As you can see in the text, CEB members believe that since it already receives attention by the HLCM when appropriate, formalizing its mandate or increasing the formality of the group or its reporting would not add any value to the operation of the group, and that retaining its informal nature adds to the free-flow of knowledge amongst procurement practitioners.

CEB members also differed with the JIU on other recommendations. For example, recommendation two suggests that the IAPWG should adopt the concept of “lead agencies” intended to enhance the division of labor amongst organizations of the system as well reduce duplication. CEB members already have some experience with this approach, and as you can read in this document, they note several points that challenge the value of this recommendation. Among other concerns, organizations point out that acting as a lead agency places a significant burden on the executing agency, and many organizations are simply not in a position to assume such activities on a regular basis. They also stress that the best procurement results have not always resulted from a lead agency model, and therefore, while the model can be useful at times, they require flexibility in its implementation. Moreover, some CEB members note that in some cases the procurement activity should be considered a strategic, rather than a routine, function. We see this in cases where the procurement of specialized services and equipment are an integral

part of an agency's technical cooperation programme, and thereby not amenable to shifting to a different agency. Even so, agencies note that in some cases lead agency procurement activities can prove useful, but perhaps not at the level indicated by the recommendation.

For some recommendations, notably number 4 regarding legal support and number 5 on training, organizations of the system not only accept the recommendations, but implementation has already begun or was already in place. For recommendation 4, CEB members note that their procurement units already have adequate and timely access to legal support while for recommendation 5 training activities have been moving ahead on several fronts.

On a more general note, organizations of the system expressed reservations regarding the method of analysis used by the JIU to measure the cost-effectiveness of an organization's procurement services. This includes using average figures as an indicator of productivity per staff member, as well as the absence of a framework for addressing extenuating and special circumstances, especially given the variety of goods and services procured around the world by all organizations. They believe that more work needs to be done on the benchmarks used to measure the efficiency of procurement efforts.

However, while the response of CEB members to the recommendations contained in the report vary, they agree with the report's overall message that more can be done to improve the system-wide harmonization of procurement policies and practices. They note the continuing efforts of organizations, especially the United Nations Secretariat, who have taken the lead in certain market sectors in concluding purchasing agreements, which, for example, allow for economies of scale and improved pricing based on volume discounts. CEB members believe that procurement reform within the UN system has benefited from increased cooperation amongst organizations of the system, and many organizations continue to engage in efforts that demonstrate their desire to see further improvements in this critical area.

Thank you, Mr. Chairman.