



**JOINT INSPECTION UNIT**  
of the United Nations System

**CORPS COMMUN d'INSPECTION**  
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**STATEMENT BY INSPECTOR MUHAMMED YUSSUF**  
**JOINT INSPECTION UNIT**

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Mr. Chairman, distinguished delegates,

Allow me, first of all, to join other speakers in extending my sincere congratulations to you, Sir, on your election to the Chairmanship of the Fifth Committee. Indeed, your election is a vivid testimony of the confidence that Member States have in your ability and leadership in steering the work of this important main Committee of the General Assembly. It gives me great pleasure, therefore, to introduce today the Report of the Joint Inspection Unit entitled "Procurement practices within the United Nations system", contained in document A/59/721.

The principal objective of this report is to "identify opportunities for increasing procurement efficiency and effectiveness in the United Nations system, especially through productivity enhancement, improved cooperation and coordination and technological innovations". As the Coordinator of this report, my intention was to provide the General Assembly and legislative bodies of other United Nations system organizations with concrete recommendations, with the view to enabling the organizations concerned to implement a more efficient and effective procurement function.

Mr. Chairman,

In reviewing the state of procurement services and practices in the United Nations system as requested by the World Food Programme (WFP), the JIU found that the procurement function has evolved over the past ten years from a relatively obscure administrative activity to a financially high-profile and high-risk function. In fact, procurement in 2002 represented about US \$ 4.6 billion, or 37 per cent of the combined regular and extra-budgetary resources of the United Nations system organizations. The scope and value of procurement activities vary significantly across the organizations and subgroups of the United Nations system, and reflect the specificities of the mandates of the various organizations. Procurement constitutes a strategic function of the United Nations and its funds and programmes, which, in 2002, accounted for 85 per cent of total procurement expenditure of all the United Nations system organizations. The combined value for the specialized agencies was just over 12 per cent. Equally, each of the two subgroups of the system exhibits differing procurement scales among its components.

Mr. Chairman,

Notwithstanding the differences in procurement volumes and organizational mandates, the report of the Secretary-General, "Investing in the United Nations: for a stronger Organization worldwide" (A/60/846/Add.5 of 14 June 2006), was prepared in response to the findings and recommendations of the report of an external consultant, who was engaged to review internal controls of the procurement operations at United Nations Headquarters following the emergence of problems related to the integrity of some of the procurement operations, and also to that of the OIOS audit of field procurement. In other words, the Secretary-General's report focuses mainly on the procurement operations at United Nations Headquarters and its Offices away from Headquarters, including peacekeeping missions.

On the other hand, the JIU report covers all the organizations of the United Nations system. It focuses on strategic issues most likely to contribute to enhancing the cost-effectiveness of the procurement process within and among the organizations, namely, cooperation and coordination, electronic procurement and capacity-building. The introductory and overview chapters of the report discuss these and other related issues, and conclude on the need to rationalize, in particular, the procurement of common user items, and to increase outsourcing of procurement tasks among the organizations as a means of reducing overlap and competition within the international procurement community.

Chapter two focuses on the fundamental issue of the cost-effectiveness of the procurement services of the organizations, while chapter three discusses the shortcomings in the modernization of the procurement function and the need for the training of procurement staff. The report recommends, therefore, that emphasis be placed on training in electronic procurement methods (e-procurement) and on technical assistance in support of capacity-building for public procurement in the developing countries and countries with economies in transition.

Mr. Chairman,

Yet another major finding, elaborated in chapter four, is that the procurement activities of the organizations currently do not have the benefit of central policy guidance, despite the steady and significant growth in their financial value over the years. In other words, the harmonization of procurement policies, procedures and practices across the organizations is still to make decisive headway. While some recent improvements must be acknowledged, for example, in the development of common approaches and tools such as the Lead Agency Concept or Common Supply Database and Portal, unfortunately both the Inter-Agency Procurement Working Group (IAPWG) mechanism and Inter-Agency Procurement Services Office (IAPSO), which serves as its secretariat, have an ill-defined status and suffer from an identity problem. IAPWG remains an informal forum without policy or legislative oversight, while IAPSO remains more a UNDP-entity rather than an inter-agency procurement facility.

The report, therefore, recommends that the Secretary-General should review the feasibility and efficiency benefits of consolidating the overhead structures and costs of procurement services at Headquarters, and also strengthening collaboration and avoiding overlap between the United Nations Office for Project Services (UNOPS) and IAPSO, including their possible merger, which could result in recurrent savings of at least US\$ 800,000 per annum in reduced staff and non-staff costs arising from the elimination of duplicate staff posts. An additional benefit of a merger of UNOPS and IAPSO would be to combine their respective strengths and initiate a process of rationalizing procurement services and practices of the common system.

The possible scenario and implications of such a merger would need to be studied in greater detail than has been possible in the present report. Meanwhile, UNOPS has informed the JIU that its

senior management staff will meet on 29 November 2006, to examine ways and means of implementing the above recommendation, especially with regard to the future role of IAPSO in a post-merger management framework. The JIU believes that this recommendation is very pertinent to the efficiency and effectiveness of the procurement function within the United Nations system organizations. Any further delay towards its implementation will deprive Member States of the efficiency gains and substantial savings associated with a merger of the two entities.

Mr. Chairman,

E-procurement, discussed in chapter five, is seen by virtually all the organizations as offering potential benefits for the modernization of the procurement function and bringing it to world-class standards. Major constraints, which included the lack of a legal and procedural framework for e-procurement, and more generally, the limited confidence in the reliability of electronic transactions in some organizations, have been gradually overcome; for instance, the non-acceptance of electronic signatures, differences in information and communication technology systems and infrastructures, ill-adapted skills of procurement staff, limited budget provisions for e-procurement, etc.

Importantly, the revised Financial Regulations and Rules of most United Nations system organizations, which allow for electronic procurement, including electronic signatures, have also contributed to the efficient use of e-procurement. Entities such as UNDP and IAPSO have automated all their procurement stages and processes, thanks to the UNWebBuy e-commerce platform. The same is true with WHO, WMO and others. However, there is still a long way to go before e-procurement can be implemented across the United Nations system. The present report offers a road map to that end.

In the concluding chapter, the report discusses the ways and means by which the organizations could use the procurement function as a development tool in the recipient countries, using a two-track approach. In the first lane, the organizations could borrow from the procurement policy of UNHCR, which aims deliberately at stimulating and strengthening the supplier markets and institutions of local communities hosting refugees without prejudice to the integrity of basic procurement standards and procedures. In the second and more important lane, the organizations are urged to develop capacity-building technical assistance programmes in support of public procurement agencies in the recipient countries, as part of good governance and public integrity programmes.

Mr. Chairman, distinguished delegates,

In all, the report was well received by both the individual organizations of the United Nations system and by the CEB collectively. Its preparation was very timely as it examined one of the risk areas in the activities of the United Nations, i.e., the procurement function. The only regret of the JIU is that the report was not considered earlier. However, I am grateful to note that most of the recommendations have either been accepted by the relevant organizations of the United Nations system, or have already been implemented and/or are in the process of being implemented. In this context, the JIU could not have asked for more.

I will, therefore, be very pleased to hear your comments and to respond to any questions which you might have.

Thank you, Mr. Chairman.