



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MS. KAREN LOCK,
PERMANENT MISSION OF SOUTH AFRICA TO THE UNITED NATIONS, ON PROCUREMENT
REFORM, IN THE FIFTH COMMITTEE OF THE GENERAL ASSEMBLY (New York, 23 October
2006)**

Mr. Chairman,

I have the honour to speak on behalf of the Group of 77 and China on Agenda items 46, 118, 120, 122, 124, 128, 129 and 136 regarding Procurement reform.

The Group of 77 and China wishes to thank Inspector Muhammad Yussuf for introducing the report of the Joint Inspection Unit on Procurement practices within the United Nations system. We also wish to thank Mr. Ken Herman for introducing the report on the comments of the Secretary-General and those of the Chief Executives Board on the JIU report. We welcome the Budget Controller, Mr. Warren Sach, the Director: Accounts Division, Mr. Jay Karia, and the newly appointed Head of Procurement Services, Mr. Paul Buades, to the podium.

It will be recalled that the remaining reports on this item were introduced to the Fifth Committee two days before the close of its second resumed session in June 2006. The Group of 77 and China felt that, in view of the significant sums involved in procurement and the risk that this presents to the Organization, it would be prudent for Member States to consider the matter in detail and not have a rushed discussion thereon. Member States nonetheless recognised that additional resources are required to deal with the immediate needs associated with the proposals and, as an interim measure, approved general temporary resources for this purpose.

Mr. Chairman,

The Group of 77 and China are cognizant of the trend in recent times of the growth of procurement as a major activity within the United Nations, especially due to the expansion of peacekeeping missions. The emerging challenges arising from the increase in scale and operational diversities have naturally led to greater demands being placed on the capacities and resources of the existing procurement system. We believe that it is apt and timely that we are addressing the issue of procurement reforms at this juncture to enable the Organization to get the best possible return for its resources and at the same time deliver efficient services to the intended beneficiaries of United Nations programmes.

Mr. Chairman,

The Group of 77 and China takes note of the Secretary General's report on procurement reform. We concur with the Advisory Committee's observation that the report focuses only on dealing with issues of internal control as identified by the OIOS report on comprehensive management audit of Department of Peacekeeping Operations (DPKO) and the report of the external consultant on internal controls, while other aspects of procurement reform, such as optimizing acquisition and procurement management, and strategic management of United Nations procurement have not been well developed.

It is regrettable that based on the findings of the external consultant, an impression was created that the internal controls have failed, as we recall that the UN Procurement Service had in past initiated measures to upgrade and improve procurement activities within the United Nations, such as introducing the Guidelines for Gift and Hospitality in 2003, which raises concerns with regard to the accuracy of the findings of the external consultant.

Furthermore, it will be recalled that many of the issues raised in the report are not new and have been the subject of discussion in the Fifth Committee for many years. The Board of Auditors, JIU and OIOS have also drawn our attention to them and it is regrettable that some of their recommendations have to date not been implemented fully. The Group consequently expected the report to address these and other well-known areas of concern and we intend to have a detailed deliberation on the proposals contained in the report, as well as others that should have been addressed by now.

We commend the JIU for its comprehensive and useful report on the procurement practices within the United Nations system. The report has raised several important issues and has made some pertinent recommendations that need serious consideration in our forthcoming discussions on the procurement reforms. This study is another example of the valuable work being undertaken by the JIU within the UN system and raises the question on

indiscriminate hiring of external consultants when in house capabilities are available.

Mr. Chairman,

Now turning to the specifics in the Secretary General's report, on the issue of ethics and integrity, the Group of 77 and China welcomes the creation of the Ethics Office, the whistleblower protection policy and the suggested programmes for ethics training of procurement staff. In this connection, we look forward to study at the appropriate time the Ethics Office Report contained in document A/61/274. We endorse the supplier code of conduct and expect that it will be applied in a consistent, universal, non-discriminatory and transparent manner. The Organization, at the same, has to be vigilant against the possible misuse of the independent bid protest system by vendors, which may undermine the procurement processes. The Group also calls for an early resolution of the conflict between ethics guidelines and staff rules, as reported by the ACABQ, and the issuance of these guidelines for procurement staff at the earliest and in all languages.

Mr. Chairman,

Procurement staff training has been a recurrent theme in many General Assembly resolutions, and rightly so, as the JIU report indicates that staff account, on an average, for 95% of total procurement overhead and are, therefore, the critical element in determining procurement productivity and the quality of outcomes. Furthermore, as the complexities faced by the United Nations procurement multiply, it is obvious that the staff would have to be highly trained and adaptive to the challenges before them. The Group looks forward to detailed discussions on the proposals to rotate staff and develop a strategic career development programme for procurement staff in the context of the human resources management reform.

Mr. Chairman,

Simple, transparent, implementable and rule-based procurement processes are a *sine qua non* for an efficient and effective procurement system. The Group of 77 and China welcomes the regular updates of the procurement manual, promulgation of revised terms and conditions for tenders, strengthening of Vendor Review Committee and the Vendor Roster. Many of these proposals are not new and have been raised by the General Assembly, as well as the Board of Auditors for many years. However, it is undeniable that despite these regular updates and strengthening of procurement processes over the years, instances of systemic and human failures in the United Nations procurement system continue to be reported. We, therefore, wonder whether the focus is on symptoms rather than the root causes of the problem. Nevertheless, we encourage the Secretariat to expeditiously undertake the planned review of procurement rules and procedures applicable to the field in order to establish special procedures to support immediate operational requirements.

Mr. Chairman,

The institution of efficient and effective procurement processes in the Organization would be nullified without ensuring a high degree of accountability. We wish to stress that accountability should not be applied selectively. Whilst delegating procurement authority to the DPKO and the field missions may seem a logical step, it is important at the same time to ensure that staff at all levels, including senior management, are responsible and held accountable for their actions, especially with regard to procurement carried out both at Headquarters and in the field. We note that the DPKO, at the level of the ASG has been delegated authority to transact and approve procurement to the sum of US\$1 million. The Group believes that close coordination between the Department of Management and DPKO is necessary and we await the report of the working group established to study the weaknesses in the control environment due to the splitting of responsibilities between the Department of Management and DPKO.

Similarly, we have noted the proposed changes in reporting line for the Headquarters Committee on Contracts (HCC) from the Office of Central Support Services to the Office of USG for Management to avoid potential conflict of interest. In this regard, we recall that the Secretariat previously disputed a similar recommendation made by the JIU and would appreciate a clarification on this matter. We would also appreciate an update on the review of the financial threshold of the proposed procurement requirements that should be vetted by the HCC, as requested by the General Assembly in its 59th session.

As for information systems, in our view any further initiative should take into account the proposed replacement of Integrated Management Information System with Enterprise Resource Planning system, as well as the implementation of a comprehensive ICT strategy, which Member States were assured that the Secretariat would review and report on before March 2007. We consequently will revert to this issue when the detailed report of the Secretary General on investing in information and communication technology is submitted to the Fifth Committee at

its first resumed session.

Mr. Chairman,

On strategic initiatives to optimize procurement performance, the Group of 77 and China has taken note of the proposals to implement a global contract systems, improve compliance with procurement planning, the lead agency concept, utilization of best value for money principle and e-procurement. We concur that procurement planning and coordination are essential for an efficient and effective procurement system that will ensure reduced costs and eliminate need for circumventing established rules and procedures. Many of these issues are not new and did not require a professional consultant to state the obvious.

On the question of the lead agency concept, we regret that the provisions of General Assembly resolution 60/260 have not been implemented. The General Assembly has not agreed to this concept and we await a detailed proposal thereon, including an assessment of the internal controls of the relevant United Nations entities, as well as how the provisions of General Assembly resolutions on procurement reform will apply to them. We also expect that the Secretariat in further developing the concept should prepare guidelines ensuring that there is consistency in the relevant procedures to determine specific needs and evaluate the ability of prospective vendors to meet those needs in a timely and cost effective manner, as proposed by the ACABQ.

On the best value for money method, we recall that the Assembly has requested the OIOS to evaluate the concept and we look forward the OIOS' findings. In this context, more details are required about its transparent, consistent and non-discriminatory implementation, because there is legitimate apprehension about its possible manipulation and use as a restrictive measure against vendors from developing countries and economies in transition.

Mr. Chairman,

On the vital question of increased procurement from developing countries and countries with economies in transition, while welcoming the holding of business seminars aimed at increasing awareness among vendors in those countries, the Group of 77 and China urges the Secretariat to explore additional ways to promote procurement from developing countries and countries with economies in transition. Resolution 60/260 called for concrete measures and the report clearly has not responded to that request. We have noted with dismay that the majority of Member States only represent 34% of the overall procurement conducted by the United Nations. As a percentage of the overall volume of goods and services procured by the United Nations, procurement from developing countries amounted to only 33.9% in 2005 in comparison to 36.5% in 2001. We also realise that applying the criterion of rules of origin may highlight further distortions. In that context, it seems doubtful that the Secretariat's proposal of creating one P-3 post will provide an effective solution to address this longstanding request of the Assembly.

It must be reminded that one of the main priorities of this Organization is to assist in the promotion of social and economic development around the world. The total amount of United Nations Procurement, although small compared to the size of the economies of many developed countries, can have a significant impact in some developing countries. Furthermore, we should highlight that this measure is in the best interest of the Organization. Better outreach in developing countries and economies in transition would enable the United Nations to considerably increase the number of possible vendors, which would result in increased competition and lower prices.

Mr. Chairman, finally, the Group of 77 and China looks forward to constructive and fruitful discussions on the issue of procurement reforms in the informal sessions. This is an important issue and we look forward to concrete results that will ensure greater accountability and better use of resources.

I thank you, Mr. Chairman.