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Mr. Chairman, distinguished delegates,

I have the honour to introduce today the Report of the Joint Inspection Unit entitled "Review of long-term agreements in procurement in the United Nations system", contained in document A/69/73.

Procurement represents one of the major expenditure categories and is an important tool in the achievement of the operational objectives of the organizations. It is a key function in the delivery of organizations' mandates.

The procurement volume of United Nations organizations has increased dramatically during the last decade. While it was 6.5 billion dollars in 2004, it amounted to 15.4 billion dollars in 2012 indicating around a 137 per cent increase. Procurement expenditure makes up around 35-40 per cent of the total expenditure of the United Nations organizations. Thus procurement activities inherently include high financial and operational risks. Therefore JIU included the procurement function and activities in its "close watch list" and during the last 10 years has produced five procurement-related reports and notes for the United Nations system.¹ Two of these outputs focused on the general procurement policy and practices and reform issues, while the rest addressed specific aspects of the procurement function, such as long-term agreements and contract management.

JIU reviews on procurement identified many areas for improvement, indicated best practices and made a number of recommendations for improvement. In these reviews, one of the key issues identified was the lack of a procurement strategy and planning in the organizations. While many organizations started establishing procurement strategies for key or major procurement items, a comprehensive procurement portfolio assessment and design of corporate strategy were missing or inadequate.

Let me highlight a few other areas which JIU examined and made recommendations for improvement. The JIU recommended to use proper risk assessment and management for procurement and contract management processes, establishment of formal vendor sanction

¹ Procurement practices within the United Nations system (JIU/REP/2004/9); Corporate consultancies in United Nations system organizations (JIU/NOTE/2008/4); Procurement reforms in the United Nations system (JIU/NOTE/2011/1); Review of long-term agreements in procurement in the United Nations system (JIU/REP/2013/1); Contract management and administration in the United Nations system (JIU/REP/2014/9).

policy and formal mechanism to review vendor complaints, strengthening conflict of interest and ethics policy and practices, use of environmentally and socially responsible procurement policies, and effective procurement monitoring and performance evaluations. In order to have proper analysis, monitoring and reporting capability, and enhanced internal controls, organizations need to improve information system capabilities and integrate necessary procurement process and monitoring modules into the systems.

We are glad to see from the report of the United Nations Secretariat on United Nations procurement activities that the Secretariat has been adopting and implementing many recommendations of the JIU reports, such as electronic tendering, improved monitoring, reporting and analysis capabilities, effective training, fostering a culture of ethics and integrity, use of an independent procurement challenge programme, and increasing the opportunities for vendors from developing countries and economies in transition.

Let me move to the use of long-term agreements (LTAs). LTAs are usually established for multiple years for goods and services that will be purchased repeatedly over the lifetime of the contract. The JIU review on the use of LTAs evaluated the relevance, efficiency and effectiveness of the use of these contracts in the United Nations system. Overall the review found that there was evidence to suggest that the use of LTAs was relevant and, to some extent, efficient and effective. The consolidation of piecemeal procurements and aggregation of demand into a single procurement enabled organizations to reduce transaction costs and utilize volume leverage to reduce prices. The use of LTAs also facilitated the application of quality and technical standards in the organizations.

However, the review found several deficiencies associated with the policies and practices of the organizations, which could risk losing the potential benefits of LTAs. Organizations in varying degrees lack specific LTA policies and analytical procurement data. When this is combined with a generally inadequate corporate procurement strategy and planning, lack of spend analysis and weak contract management and implementation monitoring, there is a risk of efficiency loss, or the loss of potential efficiency gains.

LTA contract modality can also be utilized in collaborative procurements among organizations. United Nations organizations' purchase items have many similarities such as IT equipment, desktop and laptop computers, office supplies and furniture, software licences, telecommunication services, freight services and vehicles. For only vehicles UN organizations spend more than 400 million dollars every year. Combining purchase of organizations for same procurement items into a single LTA contract would enable organizations to exercise bigger negotiation power towards greater price discounts and better contract terms and conditions.

JIU report identified that in Geneva and Rome, collaborative procurements among organization for commonly used goods and services resulted in considerable cost savings. However, existing collaborations in procurement activities are not close to using the full potential in the system. The report identified that there is a need for further harmonization of procurement policy and practices; change in polices to promote collaboration; and facilitation of standardization of goods and services across the system.

The LTA report includes five recommendations, and many examples of best practices both in the United Nations system and in other institutions, in particular in the European Commission. Implementation of the recommendations and best practices will result in greater efficiency and effectiveness in procurement activities of the organizations.

I believe that the endorsement of the recommendations in the report by this august body

will greatly facilitate the implementation of the recommendations across the system. Therefore I would like to invite the distinguished delegates to consider the endorsement of the recommendations.

I will be pleased to receive your comments and to answer any questions you may have.

Thank you, Mr. Chairman