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Chair: Mr. Rosenthal (Guatemala)
*Chairman of the Advisory Committee on Administrative
and Budgetary Questions:* Ms. McLurg

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The meeting was called to order at 10.10 a.m.

Agenda item 133: Scale of assessments for the apportionment of the expenses of the United Nations
(continued) (A/C.5/65/L.2)

Draft resolution A/C.5/65/L.2

1. *Draft resolution A/C.5/65/L.2 was adopted.*
2. **Mr. Al-Shahari** (Yemen), speaking on behalf of the Group of 77 and China, said that the Group was grateful to all delegations for acting promptly to allow the six States that had requested exemption under Article 19 of the Charter to retain their right to vote in the General Assembly until the end of its sixty-fifth session. It appreciated the efforts of those Member States that had submitted multi-year payment plans and had honoured their commitments under them; however, such plans should remain voluntary reflecting the financial situation of the Member State concerned, and should not be used to exert pressure on Member States. They should absolutely not be a factor when considering exemption under Article 19 of the Charter.
3. All Member States with significant arrears should consider submitting multi-year payment plans if they were in a position to do so. In that connection, the Group wished to distance itself from the unfortunate remarks made by some delegations at the previous meeting, when one Member State had been singled out for criticism in connection with its payment plan. The Group called on the delegations in question to refrain from making comments that infringed the sovereignty of Member States and trusted that such an act would not be repeated in the future.

Agenda item 128: Review of the efficiency of the administrative and financial functioning of the United Nations (A/65/63 and Add.1 and A/65/346 and Add.1)

4. **Mr. Terzi** (Joint Inspection Unit), introducing the note by the Secretary-General transmitting the report of the Joint Inspection Unit (JIU) entitled "Offshoring in United Nations system organizations: offshore service centres" (A/65/63), said that the aim of the report was to provide an assessment of offshoring policies, practices and experiences in the United Nations system, and to identify best practices and lessons learned, based on a review of the major offshore service centre projects undertaken by the Office of the United Nations High Commissioner for Refugees

(UNHCR), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO) and the World Food Programme (WFP) for their administrative services.

5. The review had found that the main objective of offshoring was cost-saving. Organizations had resorted to offshoring without a comprehensive sourcing strategy or cost-benefit analysis of alternative options, whereas an optimal decision-making process would require that all options should be analysed, since offshoring was not the only option for making savings.

6. Successful implementation of offshoring depended on meticulous planning and management of the transition process. The management of human resources was particularly challenging, both for the organization, which stood to lose experienced staff, and for staff members. It was important that United Nations system entities, as value-driven organizations, should take appropriate measures to mitigate the impact of offshoring on staff. In the cases reviewed, organizations had failed to include staff early enough in the process, although staff associations had later been involved. Organizations had mostly endeavoured to avoid involuntary separations by offering redeployment within headquarters, the possibility of transferring to the new location, or a voluntary separation package.

7. A high percentage of the professional-level work in offshore service centres was performed by National Professional Officers. It was a matter of concern that their employment did not comply with the criteria proposed by the International Civil Service Commission and adopted by the General Assembly in its resolution 49/223. Although those criteria required that the work performed by National Professional Officers should have a national content, in the offshore centres reviewed such staff members were employed to perform core administrative support services, a practice that could undermine the international character of the organizations. It was also unfair that while those National Professional Officers were assigned the duties of international Professional staff, they received significantly lower salaries and did not enjoy the same career opportunities.

8. A review of host country agreements for offshore centres revealed significant differences among them, particularly in terms of the provision of such benefits as spouse employment for international Professional

staff and tax exemptions. The agreement with the host country should not be a secondary element in the selection of an offshore location but should be one of the main elements in the negotiation and decision-making process. Organizations should also seek close cooperation in preparing such agreements, including joint negotiations, where feasible.

9. The planning and management of the transition of services to new centres was an important factor in risk management. In the offshoring cases reviewed, three organizations had chosen a phased approach, whereas WHO had opted for a “big bang” approach, launching its offshore centre operations and a new enterprise resource planning (ERP) system simultaneously. The review found that the phased approach provided better risk management opportunities and facilitated a relatively smooth transition of services to new locations, whereas the “big bang” approach inherently posed a critical risk to the functioning of the organization. The concurrent launch of offshore operations and a new ERP system by WHO had adversely affected the efficiency and effectiveness of the services delivered. Its planning, risk assessment and mitigation measures had been inadequate; stability issues had been encountered in all key ERP functions; and there had been insufficient training, knowledge transfer, data conversion and testing before the offshore centre became operational.

10. The approach to offshoring activities in the United Nations system over the years had been piecemeal, ad hoc and disconnected. A system-wide offshoring approach, including the establishment of inter-agency shared service centres, would yield greater savings. Consequently, before offshoring, organizations should seek inter-agency collaboration, which could include the option of insourcing to the existing offshore centres of other organizations.

11. Although organizations cited cost saving as their main objective in establishing offshore service centres, they also aimed to improve, or at least maintain, the quality of services delivered. However, the review had shown that organizations had to date measured neither the cost savings nor the service quality improvements achieved through offshoring. In the absence of monitoring and reporting on the accomplishment of objectives, the benefits of offshoring therefore remained in question.

12. Establishing an offshore service centre was a strategic decision with serious implications for the functioning and structure of the organization in question. Such a decision should therefore be the prerogative of an organization’s legislative body and, if taken, the legislative body should monitor the achievements of offshoring objectives by requiring regular progress reports.

13. The JIU report (A/65/63) contained 18 recommendations that established a benchmarking framework for United Nations system organizations considering offshoring administrative services. If the Committee were to endorse the report’s conclusions and recommendations, it would send a strong signal to all United Nations organizations regarding the need for a more disciplined, planned, rational and integrated approach to the offshoring decision-making and implementation process.

14. **Mr. Inomata** (Joint Inspection Unit), introducing the note by the Secretary-General transmitting the JIU report entitled “Environmental profile of the United Nations system organizations” (A/65/346), said that the report covered lessons learned and good practices developed, not only within the United Nations system, but also in other international organizations that had been achieving climate neutrality and enhancing their environmental profile through a range of greening initiatives. It also covered various aspects of the environmental policies and practices of United Nations system organizations, including their legislative basis; status of implementation of environmental management systems; applicable norms and standards; advocacy impact on Member States; cost implications for Member States; and governance measures to be taken by governing bodies.

15. Development of environmental policies and practices had been piecemeal, owing to the lack of a formal and systematic framework for integrated in-house environmental management based on explicit legislative mandates and applicable environmental norms and standards, as well as the lack of administrative and managerial leadership at the senior level. Many secretariats of United Nations system organizations were still far from observing standards in multilateral environmental agreements that they themselves had promoted. However, a variety of viable means and initiatives already existed in the system, which would improve environmental performance and lead to considerable energy and cost savings in various

United Nations premises, especially in New York, Vienna, Rome and Nairobi. Coordination among the organizations of the United Nations system on the climate-neutral initiative had produced a system-wide accounting framework for CO₂ emissions and a critical mass of networked environment managers across the system. That was of vital importance for the adoption of broader in-house environmental management policies to improve the environmental profile of the United Nations system and thus lead Member States and other stakeholders by example towards more sustainable environmental management.

16. The report contained 12 recommendations, three of which were addressed to the General Assembly. In the area of management, the inspectors had identified a need to define and compile applicable principles and rules for in-house environmental management systems, based on best practices within the system. There were currently few intergovernmental guidelines in the field, while internal guidelines were yet to be systematically compiled and were not in keeping with established international environmental standards. For that reason, recommendation 2 called for the General Assembly to review periodically the application of such principles.

17. Recommendation 3 addressed the need for United Nations system organizations to obtain clear administrative and budgetary guidelines from the General Assembly for achieving climate neutrality within the United Nations, a process that would involve reducing CO₂ emissions, meeting carbon offset costs of US\$ 34.2 million a year, and establishing a more cost-effective internal carbon offsetting mechanism. The inspectors had also recommended that the Secretary-General, through the United Nations System Chief Executives Board for Coordination (CEB), should launch an initiative covering all environmental aspects of in-house management, in order to promote compliance with all multilateral environmental agreements and the implementation of appropriate environmental management systems; they had identified a need to respond to Member States' concerns about the possible implications of sustainable procurement for their suppliers through increased accountability and transparency, as well as by fostering local procurement; and they had recommended that the executive heads of United Nations system organizations should promote the greening of United Nations premises in line with the local conditions of the host countries.

18. In the area of system-wide governance and coordination, recommendation 11 called on the General Assembly to request the Secretary-General to promote the mutual exchange of views and lessons learned through a peer-review process among the organizations in the Environment Management Group, to enhance their environmental management and performance. The executive heads of United Nations system organizations were also urged to lead by example through systematic communications and advocacy activities to inform staff, Member States and the public of progress made in improving in-house environmental management systems and establishing a sustainable image of the organizations.

19. The Secretary-General, on behalf of the CEB member organizations, had accepted all 12 recommendations contained in the report (A/65/346). Although the CEB had cautioned that the implementation of recommendation 10, concerning the establishment of in-house sustainable procurement policies, was subject to the outcome of the General Assembly's consideration of procurement issues at the current session, the Assembly had, in fact, already given a clear mandate, through its decision 54/449, for United Nations system organizations to introduce sustainable practices in their own operations, in particular through their procurement policies.

20. **Mr. Herman** (United Nations System Chief Executives Board for Coordination), introducing the notes by the Secretary-General (A/65/63/Add.1 and A/65/346/Add.1) conveying his comments and those of CEB on the two JIU reports that had just been introduced, said that CEB members welcomed the two reports as timely and relevant. The reports clearly contributed to the harmonization of business practices across the United Nations system, which continued to form a critical component of the work of CEB.

21. Agencies generally concurred with the recommendations contained in the JIU report on offshoring (A/65/63). They agreed, for example, that a detailed analysis of alternative locations should be undertaken as part of developing a business case for offshoring and that a transition plan to an offshore service centre should include an effective training plan. In some cases, however, although they agreed with the spirit of a recommendation, they had expressed concerns about certain details. With regard to recommendation 6, for example, regarding the need for organizations to seek funding from governing bodies

for voluntary separation packages linked to offshoring, agencies agreed that a separation of staff members might occur, but stressed that the organization's first priority should be to find meaningful alternative work opportunities for affected staff.

22. As indicated in the report, agencies agreed that establishing offshore facilities could result in economic advantages through economies of scale and relatively lower staff costs. However, recent discussions on the report within the inter-agency information and communications technology community had raised the question of what "offshoring" really meant in the context of international organizations, given that many agencies already used a decentralized model, with regional centres serving the administrative requirements of country offices, for example. While some agencies had created purpose-built centres for specific administrative functions, in other cases those functions were integrated into existing offices in "lower-cost" areas of the world. In that context, the entire concept of "offshoring" became very difficult to define.

23. Agencies supported the main recommendations of the JIU report on the environmental profile of the United Nations system organizations (A/65/346) and in many cases had made only minimal comments. For example, they agreed on the need for in-house environmental management guidelines that were common across the system and on the importance of recording and reporting the expenses associated with reducing CO₂ emissions. They had, however, expressed some concerns regarding the balance to be struck between enhancing efforts to reduce emissions and purchasing carbon offsets. While they recognized and welcomed the balanced approach taken by JIU in its report, they considered that emissions reduction must be the primary objective, and that resources should first be devoted to that activity, before any procurement of offsets.

24. **Mr. Al-Shahari** (Yemen), speaking on behalf of the Group of 77 and China, recalled that the Group had made proposals in previous negotiations for increasing the efficiency, transparency and cost-effectiveness of United Nations procurement, which had become a very important issue as a result of the growth in the Organization's operations. The Group had also stressed that the Secretary-General's accountability to Member States for the full implementation of legislative mandates on procurement should be strengthened. As

the Committee continued the important discussions on procurement reform begun at the main part of the sixty-fourth session of the General Assembly, the Group reiterated its positions regarding the reports on procurement submitted in 2009.

25. The Group also reiterated that increased and non-discriminatory procurement opportunities for vendors from developing countries were a fundamental part of procurement reform. The procurement of goods and services by the Organization must comply with established procedures, providing for international competitive bidding on the widest possible geographical basis; it must be transparent, open, impartial and cost-effective; and it must reflect the international character of the United Nations, as called for in many General Assembly resolutions. Having previously expressed its regret that the addendum on sustainable procurement (A/64/284/Add.2) submitted to the sixty-fourth session had failed to address the concerns expressed by the General Assembly in its resolution 62/269, especially with regard to the impact of sustainable procurement on vendor diversification and international competition, the Group had been deeply concerned to learn from the JIU report (A/65/346) that a number of sustainable procurement initiatives were being undertaken by the United Nations Secretariat, in violation of General Assembly resolution 62/269. Recalling that the Assembly had not yet formally approved the concept of sustainable procurement, and reiterating that the reform agenda was determined by Member States, it urged the Secretariat to avoid taking any initiatives that would pre-empt the Assembly's decision in that regard.

26. **Mr. Prokhorov** (Russian Federation) said that reform of the United Nations procurement system in strict compliance with General Assembly resolutions would make procurement more efficient and transparent, give vendors from all Member States equal access to the United Nations market and eliminate the potential for fraud and abuse of authority.

27. The growing volume of procurement was placing a strain on staff and hampering application of the existing rules and procedures. That was no excuse, however, for failing to respond to queries from the permanent missions of Member States or from firms. The additional requirements provided for under programme 24, Management and support services, should be used to rectify that failure.

28. The General Assembly had been scrutinizing the reform of the procurement system since the early 1990s and had adopted more than 10 resolutions covering virtually every issue now under discussion. Reform would be achieved through the unswerving implementation by the Secretariat of Member States' decisions. The report of the Secretary-General on United Nations procurement activities submitted in 2009 (A/64/284 and Add.1 and 2) had not inspired optimism; the Fifth Committee's inability to adopt a draft resolution on the matter indicated the inadequacy of the proposed initiatives.

29. It was perplexing that the regional procurement office in Entebbe had begun operating in the absence of a General Assembly resolution, particularly in view of the Committee's difficult deliberations on the concept of regionalization as part of the new global field support strategy. His delegation wished to receive further details about the activities of the regional procurement office, its mandate and the added value that it represented.

30. The manner in which the best value for money principle had been presented demonstrated the lack of transparency in the procurement process. His main concern was that selective application of the principle could lead to subjectivity in the choice of vendors and thus to higher contract costs. In addition, a constructive, depoliticized discussion of the advisability of "sustainable" procurement was required.

31. Those and other issues should be discussed using a consensus-based approach to achieve genuine transparency. Otherwise, they might become a major obstacle to achieving one of the main priorities of reform: increasing procurement opportunities for vendors from developing countries and countries with economies in transition.

32. **Mr. Sugiura** (Japan) said that his delegation welcomed the opportune submission of the JIU reports on offshoring and the environmental profile of the United Nations system organizations. The findings and recommendations of the two reports would enrich the Committee's discussions on the global field support strategy and sustainable procurement, respectively.

33. **Mr. Terzi** (Joint Inspection Unit), responding to the comments of the CEB member organizations regarding recommendation 6 of the JIU report on offshoring (A/65/63), reiterated that organizations should seek all kinds of remedies, including redeployment within the organization, to mitigate the impact of offshoring on staff. However, if no remedies

were to be found within the organization, generous voluntary separation packages should be offered.

34. Offshoring was defined as the relocation of business functions, in such areas as human resources, finance, travel or procurement, from an organization's headquarters to a lower-cost country. There was no confusion surrounding that definition in either the private or the public sector.

35. **Mr. Inomata** (Joint Inspection Unit) reiterated that the JIU report on the environmental profile of the United Nations system organizations (A/65/346) covered not only sustainable procurement but also aspects of in-house environmental management. The greening of international organizations was an important issue that the United Nations had been addressing in a number of forums, including the Second Committee. As pointed out in paragraph 101 of the report, the General Assembly had already established a clear mandate for sustainable procurement by adopting the United Nations Guidelines for Consumer Protection (as expanded in 1999), paragraph 54 of which specified that "Governments and international agencies should take the lead in introducing sustainable practices in their own operations, in particular through their procurement policies". The question was not so much whether a mandate for sustainable procurement existed, but how it could be applied in the context of the in-house environmental management of the United Nations system organizations. Procurement should take place in each location where United Nations system offices were based. However, in that regard the Organization needed to consider how it could abide by local rules and regulations and whether it was bound by the conventions concluded by host countries. While the 18 major multilateral environmental conventions did not specifically stipulate that organizations of the United Nations system were required to comply with them, it would be cynical to claim otherwise, particularly bearing in mind that the conventions were born out of the work of the United Nations system and that the Secretary-General had argued that the secretariats of the United Nations system organizations should lead by example.

The meeting rose at 11.10 a.m.