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Chair: Ms. Bird (Australia)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Terzi

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The meeting was called to order at 10.05 a.m.

Expression of sympathy in connection with the recent terrorist attacks in Christchurch, New Zealand

1. **The Chair**, on behalf of all members of the Committee, together with **Mr. Saunders** (Assistant Secretary-General for Central Support Services), **Mr. Bamy** (Observer for the State of Palestine), speaking on behalf of the Group of 77 and China, **Mr. Muhammad Bande** (Nigeria), speaking on behalf of the Group of African States, **Mr. De Preter** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, North Macedonia, Serbia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Georgia, the Republic of Moldova and Ukraine, **Mr. Vachon** (Canada), speaking also on behalf of Australia and New Zealand, **Mr. Wanner** (Switzerland), speaking also on behalf of Liechtenstein, **Ms. Norman-Chalet** (United States of America), **Mr. Velázquez Castillo** (Mexico), **Mr. Niang** (Senegal), **Mr. Odida** (Uganda), **Ms. Nishimura** (Japan), **Mr. Fu Daopeng** (China), **Mr. Lyu Gunjung** (Republic of Korea), **Mr. Masila** (Kenya), **Mr. Ramanathan** (Controller) and **Mr. Kononuchenko** (Russian Federation) expressed sympathy to the Government and people of New Zealand in connection with the recent terrorist attacks in Christchurch.

Agenda item 136: Programme budget for the biennium 2018–2019 (*continued*)

Global service delivery model ([A/73/706](#) and [A/73/791](#))

2. **Mr. Saunders** (Assistant Secretary-General for Central Support Services), introducing the report of the Secretary-General on the global service delivery model for the United Nations Secretariat ([A/73/706](#)), submitted pursuant to General Assembly resolution [72/262](#) C, said that the global service delivery model was an important component of the Secretary-General's reforms. Just as the Umoja enterprise resource planning system had automated business processes, the global service delivery model would consolidate fragmented administrative structures within and across duty stations in order to improve the responsiveness, efficiency, transparency and accountability of service delivery across the Secretariat, the last of the Organization's major operational entities to move to a global shared services model. The Secretary-General's proposal had been shaped by the guidance of the General Assembly, insights from Member States, the recommendations of the Joint Inspection Unit (JIU) in its report on

administrative support services: the role of service centres in redesigning administrative service delivery ([A/72/299](#)), and the recommendations of the Advisory Committee on Administrative and Budgetary Questions in its report on the proposal submitted for consideration at the Assembly's seventy-second session ([A/72/7/Add.50](#)). He thanked the Advisory Committee for its endorsement of the current proposal in its related report ([A/73/791](#)).

3. In response to General Assembly resolution [72/262](#) C, in which the Secretary-General had been requested to consult with Member States and relevant stakeholders on the development of the proposal, all Member States had been invited to express interest in hosting a shared service centre and to provide additional guidance. To ensure a consistent, independent and expert analysis, the consulting firm that had assisted with the location assessment for the Secretary-General's previous proposal had been engaged to conduct a new location assessment on the basis of the evaluation criteria that had been applied during the previous assessment and endorsed by the global service delivery model steering committee. The assessment, which had included 18 new locations and taken into consideration offers of support from Member States, had resulted in a proposal to establish global shared service centres in Nairobi, Shenzhen, Budapest and Montreal, which had been the highest-scoring locations in Africa, Asia, Europe and the Americas, respectively.

4. The proposal fully addressed the requirements endorsed by the General Assembly in its resolution [72/262](#) C that one service centre be located in Africa; that adequate coverage be provided for French-speaking staff; and that a "follow-the-sun" workflow model, which enabled transactions to be processed and passed between shared service centres in different time zones, be maintained. In order to properly serve all clients, language capacity had been included as one of the scoring criteria in the location assessment, and the proposed locations would support multilingualism by providing services in the key languages.

5. The establishment of the centres would result in a cumulative cost reduction of approximately \$49 million over the first five years of operations, with a recurring annual cost reduction of \$23 million once the centres were established, representing higher estimated savings than the Secretary-General's previous proposal. To achieve those savings, 20 additional processes had been included in first phase of implementation, 33 per cent more than in the previous proposal, without any increase in headcount. The organization structure of the centres had also been re-evaluated to enable greater efficiencies: there would be a total of 780 staff across

the centres in the first two years of operations, to be reduced to 684 from the third year onward, as efficiency and processes were improved. Moreover, under the proposed lean management structure, management would represent just 7.6 per cent of the total headcount in the first year of operations, compared with 14–15 per cent at other United Nations system shared service centres.

6. Subject to the decisions to be taken by the General Assembly, the phased implementation of the proposal, with the incremental integration of clients, would begin in 2020 and conclude by mid-2021. The Organization would give the utmost consideration to Secretariat staff, who would be affected to varying degrees by the establishment of the centres. During the transition period, management would engage in continuous and proactive dialogue with those affected. The delivery of administrative services at the required time and place, and in the required manner, would enable the Secretariat to fulfil its mandates more efficiently and effectively.

7. **Mr. Terzi** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/73/791), said that the Secretary-General's proposal on the global service delivery model reflected higher estimated annual cost reductions and a shorter break-even period of three years, as compared with his previous proposal. Furthermore, the location assessment had been undertaken in accordance with the criteria set out in General Assembly resolution 72/262 C, including consultation with Member States. The Advisory Committee recommended approval of the establishment and locations of the proposed global shared service centres.

8. Eighty administrative processes had been proposed for inclusion in the first phase of implementation, while the remaining processes would be reviewed during the second phase, with the aim of developing a plan to increase the scope of the centres. The Advisory Committee expected the Secretary-General to consider all options during that review in order to achieve greater efficiencies and cost savings.

9. Noting with concern the time zone gap between the African region, which had a significant number of French-speaking clients, and Montreal, the centre that would provide French-language services to those clients, the Advisory Committee expected the Secretary-General to provide more detailed information to the General Assembly on the matter. It also expected the Secretary-General to provide more information on the support offered by the host countries of the proposed centres, and on the duration thereof, given the importance of ensuring the continuation of such support.

In addition, as the benefits realization plan included in the proposal lacked quantitative and qualitative indicators, which were important for measuring progress, the Advisory Committee recommended that the General Assembly request the Secretary-General to develop a detailed benefits realization plan that contained such indicators, including cost savings and service improvement targets.

10. The Secretary-General had requested resources in the amount of \$9,522,700 for 2019, including post and non-post costs, to be drawn from the regular budget, the peacekeeping budget and extrabudgetary resources. The Advisory Committee recommended against the establishment of five posts and recommended that one post be downgraded from the P-5 to the P-4 level. It also recommended that a review to determine the appropriate level of staffing be conducted when operations had stabilized, no later than the start of the third year of operations, and that a review of the general temporary assistance positions required to perform transitional functions be conducted after one year of operations. The Advisory Committee recommended reductions in the proposed non-post costs related to consultants, staff travel and contractual services.

11. In view of the proposed abolishment of 747 posts, the Advisory Committee expected that every effort would be made to mitigate the impact of the global service delivery model on staff. In particular, the Advisory Committee trusted that the Secretary-General would ensure that the capacity of the Regional Service Centre in Entebbe, Uganda, was optimally used and that mitigation measures were taken to support the affected staff of the Centre.

12. **Mr. Bamyia** (Observer for the State of Palestine), speaking on behalf of the Group of 77 and China, said that the proposal before the Committee was the Secretary-General's third proposal on the global service delivery model. The Group attached great importance to the model as a key component of the Secretary-General's reform strategy aimed at ensuring more cost-effective and consistent administrative support.

13. The Group would examine the proposal to determine how closely and transparently the Secretariat had adhered to the mandate in General Assembly resolution 72/262 C to fully take into account the guidance of the Advisory Committee and JIU, and to consult with Member States and relevant stakeholders. The Group would also seek further clarification on the apportionment of costs under, and on the predictability of, the proposed funding model, as well as the impact of those factors on the Secretary-General's business case.

Given that the vast majority of the estimated savings made in respect of recurrent costs through the establishment of the proposed shared service centres would arise from reductions in staff salaries, and that there was an imbalance in the reductions proposed in various locations, the Group would request further information regarding the ways in which more efficiencies could be achieved at the duty stations with the highest staff costs. Furthermore, given the importance of strong relations with host Governments, the Group would seek details of the extent and duration of the support offered by the host countries of the proposed centres in order to ensure that the business case for each location was sustainable in the long term. To that end, a benefits realization plan with clear quantitative and qualitative indicators was essential for measuring progress in an objective and data-driven manner.

14. The Group was concerned that Montreal had been chosen as the location for the centre that would provide services to French-speaking clients, given their number and geographical spread, and, in particular, the time zone gap between Montreal and client locations in Africa. Consideration should also be given to the investments made in the Regional Service Centre in Entebbe since its establishment in July 2010 by General Assembly resolution 64/269, to its significant role in the region and to ensuring its optimal use.

15. **Mr. Muhammad Bande** (Nigeria), speaking on behalf of the Group of African States, said that the Group supported the Secretary-General's reforms and was in favour of business transformation initiatives that improved service delivery to advance mandate implementation. It would approach the proposed global service delivery model on the basis of technical considerations. The aim of the model was to respond to increasing complexities in the Organization's administrative structures, policies, procedures and system of delegation of authority. The Group noted the recommendations of JIU and the Advisory Committee on the Secretary-General's current proposal.

16. Considering the number of functions that were both location-independent and time-sensitive, the provision from outside Africa of human resources and payroll administration services to clients on that continent seemed impractical, particularly given the capacity of existing locations in Africa to carry out those functions. Moreover, the Advisory Committee's recommendation that at least one global shared service centre be established in Africa did not preclude the establishment of additional centres there. The Group therefore looked forward to the establishment of an appropriate number of centres, including a centre in a

francophone country, to provide the functions and language capacity required by the 9,000 personnel and clients in the region, in accordance with the relevant resolution of the General Assembly and recommendations of the Advisory Committee. Furthermore, noting the lack of clarity with regard to the processes to be included in the global service delivery model after the first year of operations, the Group supported the Advisory Committee's recommendation that the Secretary-General consider all options in that regard, including the establishment of additional centres.

17. The Group would seek to better understand the basis for the minimum requirements and scoring criteria used in the location assessment, and for the six-part methodology underpinning the proposal on the global service delivery model. It would request further information regarding the application of the "follow-the-sun" support model and would examine how commitments of extrabudgetary resources had influenced the selection process, including the Secretariat's consideration of the need to offset opportunity costs. Moreover, as a significant percentage of peacekeeping operations were located in Africa, the Group would seek further information on the proposals to abolish approximately 400 posts at an existing shared service centre for the 2020/21 period, and to abolish 24 posts funded under the support account for peacekeeping operations by 30 June 2021, as well as on the impact of those proposals on Africa.

18. **Mr. De Preter** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, North Macedonia, Serbia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Georgia, the Republic of Moldova and Ukraine, said that the service and support processes of the United Nations should be simplified to enable the Organization to respond to contemporary challenges in a flexible, agile, effective and efficient manner. The States members of the European Union and the other countries on whose behalf he was speaking stood ready to discuss the global service delivery model, a key component of the Secretary-General's reforms, in an open and transparent manner, with the provision of additional information as needed, and on the basis of technical justifications.

19. His delegation and the other delegations on whose behalf he was speaking were in favour of creating a truly global Secretariat that was better able to fulfil its mandates and was supported by administrative services providing what was needed, when needed and where needed. He commended the Secretary-General for presenting proposals that clearly outlined the objectives

of the global service delivery model. The model would guarantee better, faster and more efficient service delivery with benefits that could be demonstrated in terms of quality and quantity, and would be essential to unlocking the real benefits of Umoja.

20. The overall goal of establishing the global service delivery model was to increase efficiencies while ensuring consistent and high standards in the provision of services to all clients, which, in turn, would help mandate fulfilment and the achievement of the Organization's strategic objectives. Momentum must be maintained to ensure the timely implementation of all the Secretary-General's management reform proposals. The States members of the European Union and the other countries on whose behalf he was speaking supported the Secretary-General's vision for the global service delivery model, and would examine his proposals and the related recommendations of the Advisory Committee with a view to taking a timely decision.

21. **Mr. Vachon** (Canada), speaking also on behalf of Australia and New Zealand, said that the Secretary-General had recently delivered an informal briefing to the General Assembly on the alarming financial situation of the United Nations, prompting calls by delegations for fiscal discipline. The Organization's assessed budgets would not increase significantly in the near future, and, in any case, higher budget levels would not improve the Organization's financial situation. At the same time, the General Assembly and other governing bodies were establishing new mandates more quickly than existing mandates were being fulfilled. The Committee had been diligent in identifying efficiencies and cutting support costs to ensure the availability of adequate resources to implement new mandates. The global service delivery model would help achieve that goal by generating savings through the integration of back-office functions.

22. The delegations of the three countries welcomed the Secretary-General's management reforms, which would contribute to a more efficient and effective United Nations by shifting resources from support costs. The three delegations had consistently supported a technocratic process for evaluating proposals submitted for the Committee's consideration. As recommended by the Advisory Committee, the Fifth Committee should endorse the Secretary-General's current proposal, which advanced his management reforms, contributed to the realization of Umoja benefits and was in accordance with General Assembly resolution [72/262](#) C. Approaching the consideration of that proposal as a political exercise would likely lead to a proliferation of shared service centres and to the loss of any potential

savings and efficiencies. The alternative to the General Assembly-mandated process that had been followed by the Secretary-General was the status quo, characterized by inefficient, expensive and inconsistent service delivery almost entirely in only one of the Organization's official languages. The Secretary-General's proposal took into account the Assembly's emphasis on multilingualism, would improve service delivery to staff and would liberate resources to support more effective mandate fulfilment.

23. **Mr. Wanner** (Switzerland), speaking also on behalf of Liechtenstein, said that the two delegations supported the Secretary-General's vision for management reform, as well as his overall vision for a global service delivery model that would enable administrative support services to be provided as effectively as possible so that the Organization could fulfil its mandates. Given the need for an ambitious, sustainable and transparent business case, the two delegations would seek to identify the key factors that would enable the model to generate long-term qualitative gains. They also wished to know how the model would take into account the impact of digitization, automation and new ways of working in order to ensure cost-effective service delivery in the short and long term. Lastly, in view of the importance of motivated and empowered staff for mandate fulfilment, the two delegations would seek ways of preserving administrative staff welfare and mitigating the potential negative impact of the global service delivery model.

24. **Ms. Norman-Chalet** (United States of America) said that her delegation had supported the global service delivery model since its inception. If implemented correctly, the model could transform the work of the United Nations by moving transactional functions to cost-effective centres of excellence and standardizing disparate policies and processes, thus strengthening support for mandate fulfilment, improving service delivery to clients and enhancing the Organization's efficiency.

25. The Secretary-General's current proposal represented an improvement on his previous proposals, as it provided for the transfer of 80 rather than 60 administrative processes to shared service centres in the first year of implementation; for a reduced number of staff; and for higher savings. However, the envisaged "follow-the-sun" support model had not been endorsed by the General Assembly, and the proposed establishment of four shared service centres rather than one was not in line with the approach of other United Nations system entities and ran counter to the objective of consolidating services and standardizing processes, as it would lead to fragmentation and prevent proper

oversight of service delivery. The Committee, in taking its long-overdue decision on the global service delivery model, must adopt a version of the model that made the Organization fit for purpose and generated the intended benefits and results.

26. **Mr. Velázquez Castillo** (Mexico) said that the Secretary-General's proposal addressed a key objective of his management reforms: to ensure the systematic, timely and efficient delivery of support services to clients worldwide. However, in order for the proposal, which included the establishment of four regional shared service centres, to be adopted, the legitimate concerns expressed by Member States at the recent briefing by the Assistant Secretary-General for Supply Chain Management must be addressed.

27. His delegation would seek further information on the transparency, soundness and consistency of the criteria applied in selecting the proposed shared service centre locations, as well as on the financial considerations justifying the selection of the proposed centre for the Americas, given the model's objective of achieving economic benefits for the Organization by transferring services to lower-cost locations. In that regard, he was concerned that Mexico City had not been retained as the proposed shared service centre location for the Americas in the Secretary-General's latest proposal, even though it offered significant cost savings in comparison with the location envisaged in the current proposal and provided considerable geographical, technical, linguistic and logistical advantages. He therefore reiterated his Government's offer of Mexico City as the host location for the region. The inadequate consideration given to the importance of Spanish in the selection of the host location for the Americas was particularly unfortunate, given that, with more than 570 million speakers, Spanish was the second most widely spoken language in the world; it was the official language of 20 Member States, 18 of which were located in the Americas region, in addition to being actively used in a number of other countries; and it was one of the official languages of the Organization.

28. **Mr. Niang** (Senegal) said that Senegal supported the Secretary-General's reforms in principle, including the global service delivery model, provided that they ensured effective and efficient mandate implementation. The Secretary-General's proposal on the model, however, did not respond to the reform's objective of providing flexible, high-quality and cost-effective services. In particular, Senegal had serious reservations regarding the transparency of the process underlying the formulation of the proposal; the appropriateness of the "follow-the-sun" concept; and the implications of the unprecedented use of extrabudgetary resources to fund

the model. He therefore called on the Secretariat to publish the consultant's report that had been used as the basis for the proposal. The success of the reform depended on delegations having all the information needed to examine the related proposals objectively. Furthermore, out of a total of 387 administrative processes, of which 202 had been categorized as location-independent, only 80 would be offered from 2020, and only 14 of those 80 processes were time-sensitive. Should the establishment of additional centres be proposed for the transfer of the remaining processes, as recommended by the Advisory Committee, additional resources would be required, with the approval of the General Assembly, making the Secretary-General's current proposal incomplete and limited in scope.

29. His delegation was concerned about the fragmented and incoherent approach taken to providing coverage for French-speaking clients, the majority of whom were located in Africa, and called for the establishment of a shared service centre in francophone Africa, in accordance with General Assembly resolution [72/262](#) C and the recommendations of the Advisory Committee. Dakar offered many advantages in that regard, including its political stability, internal security, democracy, multicultural society and invaluable contribution to international peace and security.

30. **Mr. Odida** (Uganda) expressed sympathy to the families and friends of those who had perished in the recent crash of Ethiopian Airlines flight 302, and to the Governments of Ethiopia, Kenya and other countries that had lost nationals in the accident. He said that his Government attached particular importance to the global service delivery model and was convinced of the benefits and cost savings that it would generate, given the experience of the Regional Service Centre in Entebbe, established under the global field support strategy initiative of the Department of Field Support. The Centre served 76 per cent of United Nations field operations worldwide, supporting 19 missions comprising 19,400 personnel. It processed 155,000 payroll transactions, 27,900 F10 claims for reimbursement of expenses, 25,000 travel requests, 8,700 education grants, 65,900 vendor invoices and 77,100 telephone bills each year.

31. In its resolution [69/307](#), the General Assembly had welcomed the results achieved through the global field support strategy, and the lessons learned from the strategy's implementation had been applied in the development of the global service delivery model. However, although the Secretary-General had indicated, in his report on the framework for a global service delivery model of the United Nations Secretariat

(A/70/323), that the assessment of possible locations for consolidated functions would take into account the need to build on the history of the United Nations administrative architecture and to leverage the expertise of United Nations staff and investments already made in current duty stations, the current proposal included locations that were not within the parameters of the existing 98 Secretariat entities. Moreover, in its report on administrative support services: the role of service centres in redesigning administrative service delivery (A/72/299), JIU had not mentioned the concept of a “follow-the-sun” model; had noted that most international organizations had established one or two global shared service centres; and had noted the need to make use of existing shared service centres. Thus, in accordance with General Assembly resolution 72/262 C, his delegation would examine the Secretary-General’s proposal in the light of the recommendations of the General Assembly and JIU, and called on other delegations to do the same. He regretted that the consultations on the proposal had not been carried out in the same manner as during the consideration of other reform proposals, and that the host countries of existing shared service centres had not been specifically consulted.

32. His delegation would also have expected the cost savings from the global service delivery model to be more than double the estimated reduction of \$49.0 million over the first five years of operations, given that the Regional Service Centre alone had generated savings of more than \$25 million annually. Moreover, it should be taken into account that \$17–\$25 million had already been invested in the Centre and that, between 2009/10 and 2013/14, the field support budget had decreased by 10 per cent owing to the establishment of the Centre, as highlighted in the report on the global field support strategy issued by the Department of Field Support in June 2015.

33. His delegation would examine the value of establishing a shared service centre in Montreal to support French-speaking clients in Africa, given the time zone gap between Montreal and that region. The Secretariat should also provide, in a transparent manner, detailed information on the financial support offered by the host countries of the proposed service centre locations, and on the duration thereof. Lastly, a benefits realization plan with clear quantitative and qualitative indicators should be developed.

34. **Ms. Nishimura** (Japan) said that her delegation strongly supported the global service delivery model as a means of making cost savings, improving efficiency and enabling more effective use of limited resources to

support mandate fulfilment, in particular in the areas of development and security.

35. She paid tribute to those Member States that supported the global service delivery model even though they hosted United Nations offices that would be affected by downsizing as a result of the model’s implementation. To justify those sacrifices, the related benefits and efficiency gains, which were in the best interests of the United Nations and all Member States, must be fully realized. The global service delivery model should therefore be efficiently designed and the Committee’s discussion of the matter should be based on technical rather than political considerations, in order to avoid wasting money and ensure the fair treatment of those affected.

36. Japan was not convinced that the current proposal was the best option for achieving effective and efficient service delivery. Given the overarching goal of consolidating and standardizing location-independent services, her delegation would seek to understand the technical rationale for establishing four shared service centres when three and two centres had been envisaged, respectively, in the proposals submitted for consideration at the seventy-second and seventy-first sessions, and most other United Nations system organizations had chosen to establish only one centre. She also noted that the General Assembly had never endorsed a “follow-the-sun” approach.

37. **Mr. Fu Daopeng** (China) said that China supported the global service delivery model as a key component of the Secretary-General’s management reforms designed to strengthen the Organization’s central role in global multilateral governance. The model should be implemented according to schedule. His delegation supported the Secretariat in developing the proposed incremental plan for the consolidation of processes and in further evaluating the administrative processes not currently covered, in order to strengthen the role of the global service delivery model. China also noted the measures proposed by the Secretary-General to reduce the impact of the model on staff, as well as the related comments of the Advisory Committee, and hoped that every effort would be made to mitigate that impact. In addition, continued leverage of the existing United Nations regional service centres would be essential to maximize the benefits they generated.

38. China appreciated the efforts made by the Secretary-General to respond to General Assembly resolution 76/262 C, as well as the recommendations contained in the report of the Advisory Committee (A/73/791), and called on all parties to conclude

deliberations on the global service delivery model in a timely manner.

39. **Mr. Lyu** (Republic of Korea) said that efficiency must be the main consideration in discussions of the global service delivery model. It was unclear that establishing four global shared service centres was the most efficient option, or that the Committee had endorsed a “follow-the-sun” model. An incremental approach to consideration of the global service delivery model, whereby the number and basic structures of the shared service centres were established before the locations were discussed, would expedite the Committee’s deliberations.

40. **Mr. Masila** (Kenya) said that Kenya attached great importance to the Secretary-General’s reforms, of which the global service delivery model was an essential component. He therefore welcomed the Secretary-General’s report on the model ([A/73/706](#)), in particular the proposed management structure of the global shared service centres, which would provide strategic direction and oversight and ensure consistency across locations and functions. Kenya welcomed the estimated annual cost reduction of \$23.0 million once the global shared service centres were established, as well as the expected break-even period of three years, given the financial constraints faced by the Organization and the need to ensure the optimal use of resources to support mandate fulfilment. Every effort should be made to mitigate the impact of the global service delivery model on staff, whose skills, knowledge and experience should be retained as much as possible, as recommended by the Advisory Committee.

Managing after-service health insurance
([A/73/662](#) and [A/73/792](#))

41. **Mr. Ramanathan** (Controller), introducing the Secretary-General’s report on managing after-service health insurance ([A/73/662](#)), said that the report reflected the analysis, conclusions and recommendations of the inter-agency Working Group on After-Service Health Insurance, established by the Secretary-General under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination (CEB). The Working Group comprised representatives of 18 United Nations system entities. Representatives of the Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA), the Federation of Associations of Former International Civil Servants (FAFICS) and the Federation of International Civil Servants’ Associations (FICSA) also participated in the Working Group, on behalf of active

and retired staff members. The United Nations Medical Directors Working Group ensured that the positions of the Working Group on After-Service Health Insurance were consistent with the duty of care.

42. The High-level Committee on Management had endorsed the report, in which areas where the Working Group had not reached consensus were indicated. The Working Group recommended that all avenues of health insurance cost containment be explored through inter-agency discussions under the auspices of the High-level Committee on Management and that the United Nations system organizations give consideration to all insurance-related harmonization opportunities in support of inter-agency mobility. The Secretary-General proposed balanced funding of the Secretariat’s after-service health insurance liability through a combination of a pay-as-you-accrue method for staff recruited after 1 January 2022 and the current pay-as-you-go method for staff recruited before that date. With regard to the pay-as-you-accrue method, the Secretary-General proposed that a payroll charge corresponding to 5.35 per cent of salary mass be implemented and a dedicated financial reserve established, and that the charge be reviewed every three years to accommodate variances between it and the projected accumulation of the dedicated reserve. The General Assembly was requested to take note of the recommendations made in the report and to approve the funding of the after-service health insurance obligation in respect of officials recruited from 1 January 2022 through the entitlement accrual mechanism.

43. **Mr. Terzi** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee ([A/73/792](#)) said that, while the Advisory Committee recommended that the General Assembly take note of recommendations (a) to (d), contained in the summary of the Secretary-General’s report, which were of system-wide relevance, it recommended against the approval of recommendations (e) to (g), relating to the proposed funding of the after-service health insurance liability from 2022 onwards. The Secretary-General’s report, his third on the matter since the adoption of Assembly resolution [68/244](#), reflected the work of the inter-agency Working Group on After-Service Health Insurance, which the Secretary-General had established to implement the resolution. The Advisory Committee in its report made comments and observations regarding the Secretary-General’s recommendations (a) to (d). It welcomed the development of the system-wide standard template agreement for third-party administrators, which reflected industry best practice. The Advisory Committee expected that the agreement would result in

optimal terms and conditions of service, as indicated in the Secretary-General's report, and trusted that United Nations system entities would continue to align their requirements for third-party administrators with best practice. The Assembly, in its resolution 68/244, had requested the Secretary-General to explore all options to increase efficiency and contain costs; the Advisory Committee was of the view that he should have explored and reported on more options in that regard.

44. To fund the after-service health insurance liability, the Secretary-General proposed the application of an entitlement accrual mechanism in respect of staff members recruited from 1 January 2022. Under the mechanism, the current requirement that staff members and their dependants participate in a United Nations health plan for 10 years in order to be eligible for after-service health insurance would not change, but participants would accrue the entitlement to the Organization's maximum contribution to the after-service health insurance premium over a period of 20 to 25 years, rather than the current 10 years. In addition, a payroll charge corresponding to 5.35 per cent of salary mass would be applied, representing the employer's share of after-service health insurance benefit payments to staff recruited from 1 January 2022. The Advisory Committee was not convinced of the proposed mechanism. As in the Secretary-General's previous proposals on the matter, the active and retired staff of peacekeeping operations, who represented approximately 40 per cent of the combined active and retired staff of the Secretariat and of peacekeeping operations as at 31 December 2017, were not included in the projections for the determination of the pay-as-you-accrue rate. The absence of so many of the population might raise concerns regarding the accuracy and scope of the projections. The General Assembly had recognized that after-service health insurance benefit liabilities had been accrued from all sources of funding. The objective of ensuring the availability of adequate resources to settle those liabilities could be achieved without necessarily creating a reserve, and the Advisory Committee therefore recommended the continuation of the pay-as-you-go approach, as endorsed by the Assembly in its resolutions 68/244, 70/248 B and 71/272 B.

45. **The Chair** invited a representative of FAFICS to make a statement.

46. **Mr. Breschi** (Federation of Associations of Former International Civil Servants) said that 67,000 retirees and their dependents were covered by after-service health insurance. As significant financial contributors to such insurance, those retirees had a legitimate interest in participating in related reviews,

and therefore welcomed and had participated in the discussions of the Working Group on After-Service Health Insurance. Although the Secretary-General's report had not been endorsed by the Working Group, FAFICS supported most of the conclusions contained in it, with the exception of the proposed funding of the obligation in respect of officials recruited from 1 January 2022 through the application of an entitlement accrual mechanism, including new eligibility criteria, which would place an additional financial burden on future retirees. The Advisory Committee was not convinced of the proposed mechanism, which was not supported by FICSA, CCISUA or FAFICS. FAFICS supported the Secretary-General's proposal that pay-as-you-go funding of the liability related to the Secretariat be replaced with a pay-as-you-accrue approach, which should as a matter of principle guide the funding of the liability for the entire common system. FAFICS was concerned about the Advisory Committee's lack of support for recommendations (e) to (g), contained in the summary of the Secretary-General's report. Failure to adopt those recommendations would expose the common system to growing risks of significant unfunded liabilities of at least \$8.8 billion.

47. **Ms. Tarbush** (Observer for the State of Palestine), speaking on behalf of the Group of 77 and China, said that the Group attached great importance to the welfare of United Nations staff and was committed to the settlement of their end-of-service liabilities, including those related to after-service health insurance, as many staff members were not eligible for national social security schemes because of their service with the United Nations. The Group noted the recommendations of the Working Group on After-Service Health Insurance and the Secretary-General's concerns about the potential implications of the after-service health insurance liability for the sustainability of such insurance and for the solvency of the Organization. The Group, which was mindful of the long-term implications that decisions on the matter could have for future United Nations budgets and staff members, would request further information regarding the administration and funding of after-service health insurance, and would work with other delegations to reach a practical, effective and sustainable solution, bearing in mind the fundamental interests of United Nations staff. The Group looked forward to further discussion of the establishment of a specialized body for cooperation among United Nations system entities in relation to complex insurance-related issues, and to building on the achievements of the Working Group.

Agenda item 135: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Procurement activities in the United Nations Secretariat (A/73/704 and A/73/790)

48. **Mr. Saunders** (Assistant Secretary-General for Supply Chain Management), introducing the Secretary-General's report on procurement activities in the United Nations Secretariat (A/73/304), said that the report had been prepared pursuant to General Assembly resolution 72/266 B and the report submitted by the Advisory Committee on the matter for consideration at the seventy-first session (A/71/823). The Secretary-General's report provided an update, from the procurement perspective, on progress in the establishment of a global, integrated end-to-end supply chain for the United Nations in line with the Secretary General's management reform. The newly established Office of Supply Chain Management in the Department of Operational Support included the Logistics Division, the Procurement Division, the Uniformed Capabilities Support Division and the Enabling and Outreach Service, which formed the Organization's integrated supply chain and a single point of entry for support issues related to military and police contingents. In the report, the Secretary-General informed the Assembly of the Organization's new procurement management strategy and key priorities, which included efficient, agile, client-oriented and accountable procurement operations; the provision of increased access to the United Nations procurement market; the professionalization of procurement; the improvement of transparency and risk management; cooperation within the United Nations system; e-procurement; and innovation and alignment with the sustainable development agenda.

49. The Secretary-General was committed to building a procurement function that clients would use not only because they were required to do so but because it would help them fulfil their mandates. The Office would provide supply chain solutions for various situations while driving innovation, improving processes and developing talent. The consolidation of logistics and procurement functions in a single entity would enable high-quality, timely service delivery and heightened, holistic client response. The Procurement Division gave a high priority to increasing access to the United Nations procurement market, in particular for small and medium-sized vendors from developing countries and countries with economies in transition. Measures already taken had increased the share of procurement of suppliers from developing countries and countries with economies in transition to 61 per cent in 2017, and

additional measures were being rolled out. The professionalization of procurement was critical to the strategy and would help ensure a high-performing procurement function. By early 2021, all procurement staff would need to be professionally accredited.

50. To strengthen internal controls in procurement, recognized as a high-risk area, the Secretariat had taken a multilayered approach that included governance, risk management, a mandatory professionalization programme and the expansion of the independent post-award review of procurement processes. Particular emphasis was placed on developing the multilingual capabilities of the procurement system. In the spirit of the One United Nations initiative, the Secretariat wished to enhance its cooperation with other United Nations organizations to reduce duplication and achieve greater efficiencies. In line with best practices, the Secretariat was playing a lead role in establishing a comprehensive category management strategy that would maximize long-term value for the Organization. The Procurement Division would introduce e-tendering in 2019 as the standard mechanism for Secretariat tendering exercises, while allowing for exceptions where necessary to ensure that vendors from all regions had adequate access to United Nations procurement opportunities. E-tendering saved time and reduced the administrative burden and costs for the Organization and its commercial partners.

51. United Nations procurement operations must be innovative and aligned with the sustainable development agenda if the Organization was to play a meaningful role in the future. The goal was not to be exclusionary but to promote the systematic assessment of environmental impact and to encourage market readiness. The Secretariat was committed to mainstreaming sustainability into procurement in compliance with the Financial Regulations and Rules of the United Nations and General Assembly resolutions. Through integrated end-to-end supply chain management and the procurement strategy, the Procurement Division, in collaboration with the Logistics Division, would continue to manage strategic, complex and high-value procurement activities on behalf of the Organization. The implementation of category management would enable the Secretariat to focus on supply market capabilities. Multifunctional teams would develop market-specific strategies while retaining separate functional reporting lines to ensure the segregation of duties. The Regional Procurement Office in Entebbe, Uganda, had been renamed the Global Procurement Support Section to reflect the broadening of its clientele as a result of the management reforms and the global nature of category management.

52. A number of initiatives associated with the delegation of authority framework, which had been rationalized to bring decision-making authority closer to the point of delivery, had been launched. Decisions made under the framework would be supported by streamlined, simplified processes and greater accountability. The Business Transformation and Accountability Division in the Department of Management Strategy, Policy and Compliance would monitor the exercise of delegated procurement authority on the basis of a clear accountability framework. The Department of Management Strategy, Policy and Compliance and the Department of Operational Support would liaise to ensure that policy, internal controls and operations were closely interlinked. A new administrative instruction being finalized by the Department of Management Strategy, Policy and Compliance would emphasize the policy framework and procurement principles. The United Nations Procurement Manual would be updated, taking into account the latest best practices in public procurement, and would include guidance to help procurement professionals respond to clients' needs while ensuring that the Organization received the best value for money. The Secretary-General was committed to improving the efficiency and effectiveness of the procurement function while strengthening transparency, internal controls and accountability.

53. **Mr. Terzi** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/73/790), said that, at a time when an integrated procurement structure and an enhanced delegation of authority framework were being put in place, a strong, operational accountability framework was urgently needed. The role of the Department of Management Strategy, Policy and Compliance in monitoring and evaluating the procurement function should be further defined and operationalized to strengthen compliance and accountability. The Secretary-General's proposal regarding the establishment of one or more new procurement centres was under discussion in the Secretariat, and the Advisory Committee expected that, if the Secretary-General submitted a related proposal to the General Assembly, he would provide full justification, including analysis of the placement, functions, measurable benefits and financial implications. The Advisory Committee recommended that the Assembly request the Secretary-General to explore additional innovative ways to promote procurement from least developed countries, developing countries and countries with economies in transition. In his report, the Secretary-General underlined the role of the Procurement Network of the High-level Committee

on Management of CEB in promoting cooperation among United Nations entities, and mentioned promising areas of collaboration, including in vehicle procurement. System-wide collaboration and cooperation in procurement should be intensified.

54. **Mr. Bamyia** (Observer for the State of Palestine), speaking on behalf of the Group of 77 and China, said that the Organization had been engaged in a continuous process of reform to help it fulfil its mandates more effectively and efficiently. A transparent, consistent and non-discriminatory procurement strategy was necessary to ensure that the Organization obtained the best value for money and delivered efficient services to the beneficiaries of its programmes. The structural changes made through management reform were not ends in themselves, and the Group looked forward to a procurement strategy that gave a coherent direction to the various Secretariat supply chain and procurement initiatives. Opening procurement opportunities to all Member States was in the best interests of the Organisation. A more diverse range of products, services and vendors strengthened competition, lowered prices and ensured that the economic benefits of doing business with the United Nations helped social and economic development globally. The Procurement Division had reached out to vendors through business seminars, the United Nations Global Marketplace website and United Nations procurement manuals. Despite the establishment of the Enabling and Outreach Service, which had been assigned a role in diversifying the sources of procurement, the risk that management reform would not change the status quo in procurement remained. Innovative measures were needed to promote broader, more meaningful participation of vendors from developing countries, including in high-value centralized procurement. The Group looked forward to more detailed proposals regarding the centres in the Asia-Pacific and Latin American and Caribbean regions and, with regard to the proposed diversification of the portfolio of the Regional Procurement Office in Entebbe, to more information regarding the ways in which the Secretariat would strengthen the Office to manage procurement in the region and beyond.

55. Increased delegation of authority was essential to the new procurement framework. Sufficient guidance, tools and training must be provided and compliance and accountability must be strengthened to ensure that delegated authority was properly exercised. The Group welcomed the professionalization of the Procurement Division, but the Secretariat should ensure that certificates from internationally recognized authorities in developing countries were acceptable under the initiative before certification became mandatory on

1 January 2021. With regard to the introduction of e-tendering and mobile applications, procurement initiatives must be taken in a consistent, universal, non-discriminatory and transparent manner. The Group would seek further information regarding the efforts made to reach vendors who could not access the e-tendering system; the quality and suitability of goods and services, even when they were required in areas without wide Internet access, as was often the case in peacekeeping operations, must not be affected. The Secretariat insisted on referring, in its procurement reports, to the concept of environmentally friendly and sustainable procurement, which the General Assembly had not approved. The Assembly must consider the concept on the basis of analysis related to its definition and the ways in which it could be practically applied at the United Nations. The Organization should procure goods and services in compliance with established procedures, on the basis of international competitive bidding and the widest possible geographical base. The Group would examine the Secretary-General's proposals in the light of its desire for a transparent, open, impartial and cost-effective procurement system that fully reflected the international character of the United Nations, as requested in many General Assembly resolutions.

56. **Ms. Nalwanga** (Uganda), speaking on behalf of the Group of African States, said that, under the Secretary-General's proposal, procurement policy and compliance functions would be performed by the Department of Management Strategy, Policy and Compliance, while operational procurement activities would be the responsibility of the Office of Supply Chain Management in the Department of Operational Support. The Group would closely follow the development of the new structure, including the indicators of achievement, given that the organization of the new framework would be essential to efficient management. Management must define responsibilities and authority to establish which responsibilities it should share and which authority could be delegated in line with the Secretary-General's guidance on the matter. Against that background, at a time when the procurement structure was being integrated and delegation of authority was being enhanced, a strong, operational accountability framework was urgently needed. The role of the Department of Management Strategy, Policy and Compliance in monitoring and evaluating the procurement function should be further defined and operationalized to strengthen compliance and accountability. The Organization should procure goods and services in line with established procedures, on the basis of international competitive bidding and the widest possible geographical base. It should promote a

transparent, open, impartial and cost-effective procurement system that reflected the international character of the United Nations, as requested in many General Assembly resolutions. The Group requested the Secretary-General to explore additional innovative ways of promoting procurement from Africa, a unique partner in procurement.

57. The Group welcomed the Secretary-General's intention, in accordance with General Assembly resolution [72/266](#) B, to strengthen the role of the Regional Procurement Office in Entebbe, renamed the Global Procurement Support Section, but would seek further information regarding the global role to be played by the Office, since supporting information and analysis had not been provided. The Group noted the developments related to bidding methodologies and looked forward to receiving the review of the request for proposal solicitation methodology for aviation services, to be conducted in 2019 by the Office of Supply Chain Management, through which lessons learned and opportunities to streamline the process would be identified. The Group requested that a comparative study of the request for proposal methodology and the invitation to bid methodology be incorporated in the review. The procurement system should be transparent, take into account the specific characteristics of the field and ensure equal opportunities and equitable access. Procurement from vendors from developing countries, particularly in Africa, should be increased, and the procurement framework should include a well-defined accountability system. The Secretary-General should develop strategies and planning processes to prevent uncoordinated purchasing, duplication of effort and the inefficient use of resources. African vendors and suppliers should have fair, equal and non-discriminatory access to United Nations procurement opportunities, in particular through local and regional markets, taking into account the economic impact of procurement.

58. **Mr. Christiane** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro and North Macedonia; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Georgia, the Republic of Moldova and Ukraine, said that the States members of the European Union and the other countries on whose behalf he was speaking welcomed the procurement management strategy and the modernization of the acquisition process for critical requirements. The United Nations should, through fair, transparent competition, obtain the best value for money in procurement, which was essential to improving the Organization's cost-effectiveness, efficiency and functioning as part of the ongoing management reform.

Given the steep increase in procurement activities in recent years, the strategic function of procurement posed new risks and technical challenges, and a strong, operational accountability framework was necessary, together with strong internal controls, oversight mechanisms and transparency.

59. The States members of the European Union and the other countries on whose behalf he was speaking supported the Secretary-General's efforts to promote a strategic approach to procurement, enhance collaboration among system entities and professionalize procurement, including through category management and innovation. The Secretariat should provide vendors from all parts of the world, including countries where the Organization conducted operations, with fair, transparent market access to United Nations tenders. Vendor participation and registration had been facilitated through outreach, and progress had been made in the geographical diversification of vendors. His delegation welcomed the completion of the request for proposals exercises in the United Nations Mission in South Sudan (UNMISS) and the African Union-United Nations Hybrid Operation in Darfur (UNAMID), building on the experience gained during the pilot exercise in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), which had increased international competition. His delegation and the delegations on whose behalf he was speaking looked forward to the review by the Office of Supply Chain Management of the solicitation methodology for aviation services in 2019 and believed that requests for proposals would provide the Organization with the best value for money.

60. Sustainable procurement was important to obtaining the best value for money for the Organization and promoting wide geographical market access, in line with the 2030 Agenda for Sustainable Development. The United Nations should align its procurement activities with the Sustainable Development Goals in order to introduce requirements, specifications and criteria related to environmental protection, social inclusion, sustainable economic development and human rights, and to avoid the risk of United Nations operations adversely affecting the health, safety and livelihoods of host country populations and the Organization's staff.

61. **Mr. Conroy** (United States of America) said that, with over \$3 billion spent annually on procurement in the Secretariat, including for peacekeeping operations and special political missions, the procurement function, as part of the supply chain management system, must operate effectively, efficiently, transparently, and in line with industry standards and best practice. In his reform

proposals, the Secretary-General had identified fragmentation in procurement, described supply chain management and procurement as one of the greatest challenges facing the Organization, and noted that the time taken to complete a procurement exercise, from the identification of goods or services to their delivery, often exceeded 200 days. As a result of the reform and the introduction of integrated end-to-end supply chain management, the procurement function should become more responsive and effective checks and balances, including the segregation of responsibilities between the commercial and technical functions throughout the acquisition process, should be implemented.

62. With the integrated structure in place, a strong, operational accountability framework was essential. Capacity assessment and the clear, simple and transparent delegation of procurement authority, including the appropriate systems, staffing and internal controls, were key to that framework. The United Nations should also optimize service delivery and consolidate procurement activities by making full use of Umoja, establishing more systems contracts and enhancing system-wide collaboration and cooperation. The Secretary-General should implement the request for proposal solicitation methodology for the procurement of long-term air charter services and address the observations of the Board of Auditors, including those related to the professionalization of procurement. His delegation would seek further information regarding the measures being taken to reduce the time taken to complete a procurement exercise while ensuring proper oversight and transparency.

63. **Mr. Wen Dong** (China) said that, since procurement was one of the major expenditures of the Secretariat, its management must be strengthened. At a time when management reform was being implemented, departments involved in procurement should coordinate to maintain the cost of procurement at a reasonable level while fulfilling their mandates. The Secretariat should broaden its procurement channels and increase procurement from developing countries, which had accounted for only 38.7 per cent of the total procurement value in 2017. Regular reviews of procurement from such countries should be conducted. The timeliness and transparency of procurement should be ensured and accountability should be enhanced. His delegation would seek more information regarding the Advisory Committee's views on the Secretary-General's report, which were an important reference for the Fifth Committee in its deliberations.

64. **Mr. Masila** (Kenya) said that the Secretary-General had made efforts to strengthen oversight, increase transparency and accountability and manage the

procurement function more strategically. His delegation welcomed the enhancement of the value provided to the Organization's clientele, particularly the Member States; the efforts to make procurement opportunities as open and accessible as possible for vendors, in particular those from developing countries and countries with economies in transition; and the professionalization of procurement as part of the procurement management strategy. A robust procurement strategy must be based on sound empirical analysis and a strong business case to facilitate informed decision-making. His delegation was concerned that the report did not contain adequate detail in relation to acquisition planning, demand analysis and contract management to serve as the basis for the establishment and implementation of a procurement strategy.

65. **Mr. Kononuchenko** (Russian Federation) said that procurement reform, which had been ongoing for more than 10 years, could be further enhanced, and his delegation supported the additional measures taken by the Secretary-General to ensure accountability and transparency in competitive bidding and the determination of the successful bidder. Those measures would help vendors understand the logic on which decisions were based and compete with each other more actively, and would thus ensure that the principle of best value for money was respected. The Secretary-General should include in his next report detailed information regarding the implementation of General Assembly resolution [73/275](#), on the report on the activities of the Office of Internal Oversight Services, and resolution [72/266](#) B, on shifting the management paradigm in the United Nations, in which, because of the high level of risk inherent in United Nations procurement activities, Member States had explicitly requested that the monitoring of procurement be strengthened. His delegation expected the Secretary-General's next report to be more detailed and analytical and to contribute to the development of an appropriate strategy.

66. His delegation agreed with the view expressed in the Advisory Committee's report that environmentally friendly and sustainable procurement should not be adopted until the Secretary-General prepared the report previously requested by the General Assembly on the content of and criteria for that concept. The concept's meaning and content should be clarified and information regarding its practical application at the United Nations should be provided, and the Member States would decide whether or not to approve the related proposals. His delegation continued to oppose inherently discriminatory artificial measures that would distort open competition without clear criteria. Free-market competition in United Nations procurement was

governed not only by Adam Smith but also, on a daily basis, by the Organization's staff. They and their decisions must be defended on the basis of clear criteria. His delegation requested a comparative analysis of the request for proposal and invitation to bid solicitation methodologies. His delegation looked forward to the planned review of the request for proposal methodology for aviation services, which would identify lessons learned and opportunities to further streamline the process and achieve additional efficiencies.

The meeting rose at 12.10 p.m.