

Note to Ms. Jane Holl Lute

Re: Procurement Challenges

1. I wish to acknowledge receipt of your 'Note' dated 12 July 2007, on the above subject.
2. I take this opportunity to thank you for your views which is important to the Department of Management (DM) particularly in the context of the ongoing procurement reform. The Department of Field Support (DFS) is our largest customer, and as a service provider, DM would like to re-iterate our close partnership based on trust and cooperation.
3. In this context, I have noted with concern your perception that the Procurement Division (PD) lacks the capacity to support new missions such as the Darfur Region, Chad, Central African Republic, and Somalia. My comments regarding the specific procurement challenges related to some of these deployments are detailed below. However, in order to ensure that DPKO's concerns are not misplaced, it may be pertinent to review some of the facts.

- Darfur; Sole source negotiations with PAE for Multifunctional Logistics Services.

With regard to the Darfur Planning Team of DPKO, I understand it has been tackling this project for over 18 months. Regrettably, this effort failed to yield the expected result in a Scope of Requirement (SOR), the basis for competitive procurement action to take place. Notwithstanding the absence of the SOR or a semblance of the requirement, the Controller, based on the critical nature of the subject matter, authorized sole source negotiations on 25 April 2007. After two joint DPKO/PD missions to Darfur in the spring of 2007 the SOR was finally transmitted to PD on 13 July 2007. Accordingly, the RFP was immediately sent to the contractor. The first round of negotiations is scheduled for 26 July 2007, with a target date for signing the contract no later than 31 August 2007. Hence, in this instance, I fail to see the delay attributable to PD. On the contrary, you will appreciate that the project only started progressing upon PD's involvement with DFS as a partner to formulate an acquisition strategy. From the perspective of a service provider, I would recommend that your experts in this field should be directed to develop a logistics concept which will enable this Organization to embark on a logistic delivery capability at short notice which meet the procurement principles as outlined in the current Financial Regulations & Rules, PD will gladly contribute to this effort.

- Fuel contract for Darfur

I refer to paragraph (c) of Annex A to your memorandum attributing the delays in signing the contract for the provision of POL in Darfur solely rests with PD. As you are certainly aware, this contract was bid out within the framework of the UNMIS tender. The contract for UNMIS was signed some time ago and is being successfully implemented. The delays in the contract for Darfur are attributable to the significant change in requirements. I understand that DFS has finally provided the necessary clarifications at your meeting with the Controller on 17 July 2007 and PD is proceeding with a submission to the HCC, based on DFS' recent update of information with regard to the requirements. Please note that continuous requests for expedient approval from the Controller has severe impact on PD's operations, priority and resources. In addition, while I am sympathetic to DFS' uncertainty in accurately forecasting and planning its requirements, I sincerely hope that you are aware that those actions constitute a pattern, to which Oversight bodies of the UN may be less charitable towards and may well find the pattern as troubling.

- CHAD, CAR, SOMALIA

It is my understanding that PD has been actively involved in the mission planning. Considering the potential impact and size of the Somalia operation, the Chief of PD has authorized that procurement be represented at the Section Chief level. Chad and CAR efforts are being supported at an experienced Team Leader level. DM hopes that the early involvement of the procurement staff in mission planning will help DFS to avoid resorting to a sole sourcing solution.

4. The staffing situation. Your comments on strengthening PD's capacity is well taken. Indeed, for years PD was in dire need of additional staff and resources. The urgent need has been met as the General Assembly has authorized 17 new procurement posts, most of them are earmarked for the peacekeeping procurement area of PD. I have been assured by that of the Chief, PD, will continue to reinforce and enhance the Supply and Engineering Teams of the Field Procurement Section.
5. Short Notice Deployment Capacity. In order to further strengthen PD with seasoned experts capable of carry out procurement for the mission deployment stage, PD is implementing a new initiative by augmenting its staff by three procurement professionals (food, fuel, and engineering) from an international organization which has very similar experience in contingency contracting. As you may be aware, the Controller has signed the MOU with NAMSA and the arrival of the new staff is expected on 23 July 2007. They will work as a "Darfur Team" under the supervision of one of PD's experienced procurement officers.
6. Training. PD is making a serious effort to select new staff members from highly technical areas of business and industry. For example, from

engineering companies, aviation industry, IT and logistics companies, etc. However, notwithstanding their in depth professional expertise, these new staff members would require a steep learning curve in understanding the unique nature of UN Peacekeeping Missions and operations. I suggest that we jointly examine possibilities of introducing a "DM/DFS cross-training program". It would also be useful if DFS invites senior procurement staff at the P4 level and above to participate in the evolving SMART program.

7. Reinforcement from missions. DM has examined your suggestion to create a dedicated procurement team with responsibility for new missions, composed of procurement staff drawn from existing peacekeeping missions. My comments are as follows:

- The vacancy rate in mission procurement operations is 20-40%. PD is inundated with DFS and Missions requests to send its staff to the field. It may not be desirable to further exacerbate the Missions' staffing deficits particularly in the wake of recent suspensions of field staff.
- Even if we manage to send field personnel to PD, the average learning curve for handling global and complex contracting arrangements involving many stakeholders such as OLA, Insurance will take several months. The HQs procurement officers have indeed to face a broader context and interaction than staff in local missions.
- If the pilot project with NAMSA is proven to be successful, I will be receptive to re-use this venue rather than to reduce the Field Missions of scarce resources.

8. The purported delays in procurement process. As you know, UN procurement is a complex and dynamic process which involves a number of offices within the UN system: Requisitioners, OLA, HCC Insurance, Disbursement Service (IDS), etc. Although Procurement staff has ownership of the process, it is heavily dependent on other participants. For example, the delays in signing the food contracts (See paragraph (b) of Annex A) are mostly related to significantly stringent new legal provisions of OLA and its outside legal counsel. I would suggest that DM and DFS jointly approach all major stakeholders (OLA, Insurance, etc.) and demand dedicated support and strict timelines to ensure that our respective staff can deliver capacity and services on time, within budget, while seeking best value for money.

9. AMIS. While we appreciate the exigency of new missions, your suggestion to assume AMIS support contracts without renegotiation, cannot be accepted for the following main reasons. First, AMIS's standards (e.g., food, fuel, engineering) are different from those of the UN;

Secondly, AMIS's legislative framework, including their privileges and immunities, are different from the status of the UN Force and ultimately, a number of legal adjustments will be required as we may inadvertently inherit unknown liabilities from a sister Organization. Finally, AMIS' contract may not represent the best value for the UN.

10. As to prioritizing HCC cases, the HCC will vet whatever comes from the missions. I have serious concerns about the priorities outlined by DFS. It is disturbing to see that the first proposed priorities are ex post facto cases involving payments to vendors. This suggests that DFS is breaking the internal controls and rules and are issuing contracts without authority, but decline to pay when the goods/services have been received. It is a fact that the issue seems to be at the inception of the procurement cycle (acquisition planning) in the mission rather than at PD.
11. With regard to the specific case of "Transport" described in Annex A, I am aware that, in fact, the problem is not related to resources (as suggested in your note) but to the short and strict validity deadlines practiced in the shipping industry. The vendor, GCL, submitted its offer by the RFP - 1082 deadline on 11 June 2007 at 2 PM and requested that the UN reach its decision making by 14 June 2007 at 5 PM (NYT). On 14 June 2007, the Notice and Statement of Award for the subject tender were prepared and made ready for signature. The documents were signed on same date and both were immediately faxed/emailed to the vendor at 6:20 PM and 6:24 PM respectively. PD is of the opinion and suspects that the company was not ready to take on the business and used the one hour and twenty minutes delay in the receipt of the documents as an excuse. You may rest assured that PD will enforce the relevant procurement policy guidelines in respect of the subject vendor's actions.
12. At this juncture, I would like to call your attention to a number of improvements implemented by PD recently which have already begun to show positive results and I have been told, have brought value to DFS' operations:
 - The establishment of Team of Procurement staff members solely tasked to process Field Missions submissions to the HCC, assist in providing procurement related advice to inquiries from the Missions.
 - A coordinated approach with DFS staff in critical meetings such as vendor registration, procurement manual revision, training/certification, etc. In this regard, the DFS Procurement Policy Staff should ensure that they contribution does not delay the pace of the reform programme.
 - A new operation with Management Visits, which reinforce the procurement community via strong professional and best practice exchange.

- The development of a new business and client culture within PD staff members.
13. I strongly believe that our respective staff are fully dedicated to improve the UN Secretariat procurement function and many ideas can emerge from both sides. Therefore strategic meetings between your Directors (Logistic and Administrative) and the Chief, PD, supplemented by subject matter experts can bring value to the development of a supply chain in support of peacekeeping missions. These meetings should be scheduled soon after this exchange of views in order to use the momentum generated as a positive and cooperative force. I welcome your note on the development of strategies towards a common goal. PD has volunteered to host the first meeting to demonstrate its interest and increased commitment of cooperation between the Services.
 14. In conclusion, let me reiterate that any operational and service improvement cannot jeopardize the built-in controls of the procurement function such as internal control, segregation of duties, conflict of interest, etc. Consequently, I recommend we all reflect on the provisions of GA Resolution following the submission of SG report: A/61/858.
 15. I am pleased that these views have been raised and discussed in a timely manner. It will give us added impetus to focus on the areas which will render a smoother and efficient service to the Organisation through improved coordination.
 16. Finally I would like to note that the level of support account resources available to the Organization is based upon a \$5 billion PKO programme. Bearing in mind that Darfur, Chad, CAR and Somalia can increase this by over 50%, I would be prepared to look again at this resourcing question towards the end of 2007. In the mean time you may care to meet to discuss all of the above issues with a view to facilitating better performance in the future.



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Department of Management
20 July 2007

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