Summary

This document provides a brief summary of consultations held and actions taken in response to financial regulation 15.4 and Governing Council decisions concerning guidelines on procurement. The report refers to the meeting of the Inter-Agency Procurement Working Group scheduled to be held in April 1984, describes the material which will be available to the meeting, and provides an outline of the course of action proposed for dealing with this issue.
1. Financial regulation 15.4, which was approved by the Governing Council at its twenty-eighth session in June 1981 (decision 81/28), provides that, notwithstanding the provisions of regulation 15.1, which specifies that the administration by executing agencies of funds obtained from or through UNDP shall be carried out under the respective regulations and rules of the executing agencies to the extent that they are appropriate, the Administrator may issue guidelines regarding the procurement of equipment, supplies and services in accordance with principles approved by the General Assembly, in particular on the capacity of the United Nations development system, resolution 2688(XXV), annex, paragraphs 41, 42 and 44, and on new dimensions in technical co-operation, resolution 3405 (XXX), annex. These resolutions required that such guidelines would incorporate both the principle of equitable geographical distribution of procurement and the principle of international competitive bidding. Accordingly, the Council, in operative paragraph 7 of decision 81/28, requested the Administrator "to submit to the Governing Council at its twenty-ninth session the guidelines developed pursuant to financial regulation 15.4."

2. Following the Council's decisions, extensive negotiations were held with executing agencies on the subject. The Administrator reported to the Council on these negotiations both in 1982 (DP/1982/56) and in 1983 (DP/1983/47) as well as on the consultations he had held on the issue with the United Nations Office of Legal Affairs. He informed the Council of the difficulties encountered in attempting to develop procurement guidelines. In his 1982 report, the Administrator informed the Council that, in view of these difficulties, he would try to establish procurement guidelines which could first be tried out internally within UNDP before raising the issue of their applicability to executing agencies.

3. In his oral report to the Council in 1983, the Assistant Administrator, Bureau for Finance and Administration, described in some detail the unsuccessful attempts to establish guidelines which would reconcile the principle of international competitive bidding with, inter alia, the principle of equitable geographical distribution. He further stated that the two principles appeared, in the absence of much more specific guidance from the Council, to be mutually exclusive. He informed the Council that in order to overcome the difficulties encountered, an alternative approach to the preparation of guidelines was being attempted. He explained that this approach, while perhaps more time consuming, should help in identifying practical measures which would achieve to the extent possible the desired results in procurement. He informed the Council of a comprehensive questionnaire on agency procurement practices which was being prepared at the initiative of the Inter-Agency Procurement Working Group, and which was to be transmitted to all agencies for completion. It was hoped that the responses to this questionnaire, to be compiled and analyzed by the Inter-Agency Procurement Services Unit (IAPSU), would provide a complete inventory of the procurement procedures and systems in the United Nations system, and would be reviewed at the eighth meeting of the Inter-Agency Procurement Working Group scheduled to take place in Copenhagen in April 1984.

/...
4. Following its review of the subject, the Governing Council adopted decision 83/34 which, inter alia, "urge[d] the Administrator to pursue vigorously with the executing agencies the study on their procurement practices to be carried out by the Inter-Agency Procurement Working Group with the assistance of the Inter-Agency Procurement Services Unit" (operative paragraph 3). The Council also "request[ed] the Administrator to submit a progress report on this matter to the Governing Council at its thirty-first session" (operative paragraph 4).

5. In this connection, mention should also be made of operative paragraph 16 of General Assembly resolution 38/171 of 19 December 1983, which states as follows:

"Decides that the guidelines on procurement to be issued pursuant to paragraph 7 of decision 81/28 and section II, paragraph 2, of decision 82/34 of 18 June 1982 of the Governing Council of the United Nations Development Programme should govern the procurement activities of organs and bodies under the authority of the General Assembly in their execution of projects financed by the Programme."

6. At the time of preparing this report, IAPSU was in the process of analyzing the information provided by executing agencies in response to the questionnaire on procurement practices prior to its being submitted in April 1984 to the Inter-Agency Procurement Working Group for its review and recommendations. In this respect, the Administrator wishes to clarify that the questionnaire and the meeting of the Inter-Agency Procurement Working Group were initially planned as part of the normal work programme of this inter-agency body. It was then concluded that the questionnaire and the inter-agency consultations which would ensue could focus attention, inter alia, on the issues encountered in trying to prepare procurement guidelines in accordance with regulation 15.4 and the Governing Council decisions on the subject.

7. The Administrator believes that a set of practical measures on procurement as contrasted with formal guidelines to be promulgated by the Administrator could assist in achieving a more equitable geographical distribution of procurement. Such measures could cover a wide range of areas such as methods of timely dissemination of information on procurement opportunities to potential suppliers; the improvement and continuous updating of rosters of potential suppliers; ensuring that specifications are prepared in an objective and uniform manner to allow potential suppliers who wish to do so to participate in the bidding process; more uniform methods of calculating exchange rate variations in the analysis of bids; and agreement on appropriate time-frames for bidding in order to permit potential suppliers, including those from developing countries, to participate in the bidding process.
8. The Administrator expects to provide an oral report to the thirty-first session of the Council on the results of the analysis of the questionnaire on procurement, and will provide information on the results of the Inter-Agency Procurement Working Group meeting and any preliminary conclusions which may have been reached by that time, including measures which could be adopted by UNDP itself at an early stage.