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BUDGETARY AND FINANCE COMMITTEE

Thirty-third session

June 1986, Geneva

Item 10 of the agenda of the Budgetary and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE  
TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

Rapporteur: Ms. MKHONZA Adelaide Phindile (Swaziland)

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

D.2 Guidelines for the procurement of equipment, supplies and services

1. For its consideration of this subject under item 9 (d) of the Council's agenda and in accordance with decision 85/39, the Committee was provided with an oral report. The Assistant Administrator, Bureau for Special Activities, commented on the informal paper made available the Committee, entitled "Common Procurement Policies and Practices-Analysis of responses to the Questionnaire

on Agency Procurement Practices", and stated that exemplary co-operation had been received from all agencies in this analysis prepared by the Inter-Agency Procurement Services Unit (IAPSU).

2. The analysis confirmed the differences in procurement practices inherent in the dissimilarities in mandate, size and organizational structure of the agencies. Attempts had been made to highlight the practices of the eleven largest agencies, determined on the basis of the monetary value of their procurement activities. Also, several procurement services were responsible primarily for "housekeeping" purchases for their headquarters, while others procured almost exclusively for projects. Finally, the organizational structure ranged from highly centralized to decentralized, with a considerable level of authority delegated to regional or field offices. Limitations existed in any attempt to provide a comprehensive description of the practices of 29 different agencies. Several shortcomings in the original questionnaire had been identified and efforts had been made to eliminate obvious misunderstandings through consultations with the agencies, particularly during the 11th meeting of the Inter-Agency Procurement Working Group (IAPWG) in April 1986. Participating agencies had, however, found the exercise useful for the further harmonization of procurement practices. Although the desirability of developing common policies and practices within the United Nations system was clearly recognized, differences would continue to exist because of the varied nature and needs of the agencies.

3. The Assistant Administrator then addressed the request for renewed efforts to ensure that the procurement process of the United Nations system be made both more accessible and more transparent, that would require the full co-operation of all the agencies. At the last meeting of IAPWG, agencies had proposed that a working group be set up to continue the efforts towards further harmonization of the procurement practices. The work of that group

would be guided by two factors: (a) priority would be given to those practices and policies with direct relevance to the relationship between the agencies and the international business community, while internal agency procedures not directly affecting the accessibility or the transparency of the procurement process would be considered later, (b) the approach would recognize that a strictly uniform set of practices could not be applied to the entire United Nations system, since it would fail to recognize the differences in agency mandates and sizes. Where agency requirements dictated differences in procurement practices, the group would endeavour to describe them for the benefit of the international business community. If the Council agreed to this approach, progress on the work of the working group would be reported on at the thirty-fourth session.

Summary of the discussion in the Committee

4. Members of the Committee expressed their appreciation for the clarity of the oral report as well as for the work undertaken by IAPSU on the analysis, and recognized that important improvements were being made towards achieving greater transparency. Several members commented on the informal status of the paper circulated in English only. One member felt that the work of IAPSU towards greater uniformity responded to an appropriate priority geared at improving the relationships between United Nations procurement units and the private sector. Members welcomed the establishment by IAPWG of a working group which would formulate more unified procurement procedures and practices. The outcome of the work of this working group would be presented for consideration by the Committee at the next session of the Governing Council.

5. Noting the differences in procurement practices among agencies, several members observed that these differences could not constitute an excuse to alleviate efforts to improve equitable geographical distribution. Equal

priority should be given to achieving common guidelines on procurement procedures as well as to equitable geographical distribution. The request contained in decision 85/39 for efforts to expand sources of supply from underutilized and developing countries had been made in other fora, and in resolutions of the General Assembly and of the Economic and Social Council. The response given to this specific concern was found unsatisfactory. Several members welcomed the information given on the trend for procurement from developing countries, but requested information on the trend from underutilized countries. Several members noted the efforts of UNIDO in undertaking special missions and urged other agencies to undertake similar activities and establish contacts in underutilized countries on a more systematic basis. The Committee expected to hold in-depth discussions on the issue the following year on the basis of a report summarizing the results of the working group.

6. Concern was expressed over the bias of competitive bidding practices which favor well-known sources of supplies from developed countries. Several members questioned the relationship between the origin of experts and consultants and the procurement pattern. One member referred to the answer given in the questionnaire on the use of brokers and intermediaries, a practice violating the principles of equitable geographical distribution and of international competitive bidding. The same member referred to a study produced by a group of experts confirming various practices which favour procurement from developed countries. He cited the lobbying of firms, the failure by agencies to systematically use their roster in the selection of firms, and the advantages given to firms located in capitals hosting agency headquarters. UNDP should not violate the principles set out in the Consensus.

Response of the Administrator

7. The Assistant Administrator thanked the members for their approval of the initiative to set up a working group. He responded to the concerns expressed over the informal presentation of the analysis of responses to the questionnaire and provided explanations on the physical limitations. The Assistant Administrator also pointed out that the work was undertaken by the small IAPSU unit of five professionals and four general service staff, in addition to its regular workload.

8. Responding to the questions raised on equitable geographical distribution, the Assistant Administrator observed that the main thrust of the paper was to establish the facts about agency procurement practices in order to bring about harmonization of procedures and transparency of rules; equitable geographical distribution was naturally a linked issue. The paper presented an analysis of existing practices, but did not seek to introduce changes. The Assistant Administrator pointed out that the current situation reflected the reality that most procurement units in the agencies were limited in staff, and therefore found it easier to work with known firms; enlarging the number of bidders entailed an increased workload in the evaluation of tenders. Nevertheless, efforts were being made throughout the system to achieve more equitable geographical distribution.

9. The Assistant Administrator noted that procurement from developing countries had indeed increased. In 1975, procurement by the United Nations system stood at approximately 2.5 per cent for equipment purchases, compared to 17 per cent in 1985; at 6 per cent for services, compared to 22 per cent in 1985. But efforts should not be spared to pursue improvements. Regarding procurement from underutilized major donors, this issue was being discussed by

IAPWG which, since 1984, had met annually in one underutilized country. These regular meetings were coupled with business contact days to allow agencies to meet firms from these countries and therefore expand their knowledge on these sources of supply.

Further discussion in the Committee

10. Several delegations reiterated the concerns expressed by other members on the lack of details found in the analysis on the issue of equitable geographical distribution and remarked that international competitive bidding had an inherent bias against less well-known sources of supply from developing and underutilized countries. Other delegations referred to the UNDP Rules and Regulations and relevant General Assembly resolutions whereby procurement was made in accordance with international competitive bidding, taking into account price, quality and effectiveness. Recipient countries ultimately benefited if that mix of factors was respected. The analysis submitted provided insights on the actual procurement practices and responded to the request for further transparency. Other members stressed that while the purpose of the study was understood, the principle of equitable geographical distribution remained a prominent issue: international competitive bidding should not prejudice the enlarging of supply sources from developing and underutilized countries.

11. Delegations in general requested an in-depth consideration of the conclusions to be submitted by the working group. The status and use of the informal analyses circulated in English only to the Committee were also queried.

Further response of the Administration

12. The Assistant Administrator agreed to submit to the Governing Council, at its thirty-fourth session, information on the trend in procurement from underutilized countries; however, he cautioned that complete statistics had

been available only for the last four years. The Assistant Administrator observed that international competitive bidding was a firmly established principle, although it was recognized that a bias existed in favour of developed countries, it was incumbent upon UNDP and the agencies to help improve procurement from other sources of supply.

13. The Assistant Administrator informed the Committee that the analysis would be translated in all working languages and distributed, and that he would orally supplement the report to be submitted at the thirty-fourth session of the Council, and would circulate translated copies of his statement.

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