



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/1987/10
3 December 1986

ORIGINAL: ENGLISH

Thirty-fourth session
1-26 June 1987, New York
Item 9 of the provisional agenda

SUPPORT

COMMON PROCUREMENT POLICIES AND PRACTICES

**Analysis of responses to questionnaire on agency
procurement practices**

Summary

This document, containing the analysis of responses to the questionnaire on agency procurement policies and practices, is being submitted to the Governing Council in accordance with Council decision 86/47.

Responses were received from 28 procurement services, representing the agencies or bodies listed below:

1. Food and Agriculture Organization of the United Nations (FAO)
2. United Nations Centre for Human Settlements (Habitat)
3. International Atomic Energy Agency (IAEA) - headquarters procurement service (I)
4. International Atomic Energy Agency (IAEA) - field procurement service (II)
5. International Civil Aviation Organization (ICAO)
6. International Labour Organisation (ILO)
7. International Maritime Organization (IMO)
8. International Trade Centre (ITC)
9. International Telecommunication Union (ITU)
10. Pan-American Health Organization (PAHO)
11. United Nations Conference on Trade and Development (UNCTAD)
12. United Nations Development Programme/Bureau for Finance and Administration (UNDP/BFA)
13. United Nations Development Programme/Office for Projects Execution (UNDP/OPE)
14. United Nations Environment Programme (UNEP)
15. United Nations Educational, Scientific and Cultural Organization (UNESCO)
16. United Nations Fund for Population Activities (UNFPA)
17. United Nations High Commissioner for Refugees (UNHCR)
18. United Nations Children's Fund (UNICEF)
19. United Nations Industrial Development Organization (UNIDO)
20. United Nations Office at Geneva (UNOG)
21. United Nations Purchase and Transportation Service (UN/PTS)
22. United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

23. United Nations Department of Technical Co-operation for Development (UN/DTCD)
24. United Nations University (UNU)
25. Universal Postal Union (UPU)
26. World Health Organization (WHO)
27. World Intellectual Property Organization (WIPO)
28. World Meteorological Organization (WMO)

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I. PROCUREMENT REQUEST

Question 1. Where do requests for procurement originate?

1. Procurement is done for both "housekeeping" purposes and field operations. In most agencies, these functions are not separated, but in some large agencies, which also perform secretariat functions, separate procurement services exist with responsibility to procure for conference and normal headquarters needs on the one hand, and for technical co-operation activities on the other. Overall, procurement for field operational activities dominates.

UNDP/OPE, UNFPA, UNHCR, UNICEF and WHO receive practically all procurement requests from the field, while UNESCO and UNRWA receive 95 per cent, ILO, ICAO and ITU 90 per cent, UNIDO 75 per cent, UN/DTCDD 70 per cent and FAO 40 per cent, respectively.

Question 2. How are procurement requests made and submitted to the procurement office?

2. A standard form is by far the most common way to request procurement and is used by all agencies except one (WIPO). In addition, 14 agencies allow requests by letter and, among the large agencies, 8 (FAO, ICAO, ILO, UNESCO, UNHCR, UNICEF, UN/PTS and WHO) also accept telex/cable requests, depending on the size, nature and urgency of the requirement. These last methods - letter/telex/cable requests - are less frequently used, but are acceptable in cases where urgency precludes the mailing of a form, or when one of the alternative methods is more suitable as a means of specifying the requirements. In many agencies, requests received by letter, telex or cable are transcribed to a standard form before they are acted upon by the agency procurement service.

Question 3. Who authorizes the issuance of the procurement requests?

3. In those agencies which primarily procure for their own housekeeping requirement, authority is usually at headquarters. For the large agencies, which have extensive technical co-operation activities, there is a marked emphasis on delegation of authority to field establishments.

Question 4. Are requests reviewed by a third party for specification adequacy and verification of availability of funds prior to transmittal to the procurement officer for actions?

4. A third-party review of technical specifications is standard procedure in 15 of the agencies surveyed. Among the large agencies, however, this practice is resorted to only occasionally, since the larger procurement services of these agencies normally have available the necessary technical expertise among their staff.

Question 5. What happens if technical specifications are inadequate or found to be too restrictive for competitive bidding?

5. Most agencies return requests with inadequate technical specifications to the source. If only minor adjustments or corrections are required, however, these are usually made at headquarters.

Question 6. How often does the procurement officer get involved in the preparation of technical specifications for requisitions?

6. Whereas procurement officers in 18 agencies are only infrequently involved in the preparation of technical specifications, procurement officers in 6 of the large agencies (ILO, UNESCO, UNHCR, UNICEF, UN/PTS, UNRWA) frequently assist field staff in the preparation of specifications.

Question 7. Has your agency developed an in-house technical catalogue for standard equipment and supplies? If so, who has the responsibility for preparing and revising such a catalogue?

7. All agencies possess manufacturers' catalogues, but 18 agencies do not maintain their own in-house technical catalogue for standard equipment and supplies. Among the large agencies, 5 (ICAO, ILO, UNICEF, UNRWA and UN/PTS) have developed requisite catalogues for the products they normally procure. ILO and UNICEF have gone furthest in this direction and have prepared their own equipment planning guides. In those cases where in-house technical catalogues exist, they have been produced and are kept up to date by the staff of the agency procurement service.

Question 8. How far do you go into the procurement process when the availability of funds has not been positively established or is otherwise delayed?

8. Among the large agencies, only three (UNHCR, UNICEF and WHO) impose a complete hold on procurement preparation prior to the availability of authorized funding. Some agencies permit informal contacts with potential suppliers while funding is pending, as long as prospects for eventual approval of funds are very good. All agencies, however, adhere to the firm rule that no financial commitment is possible before the availability of funds has been confirmed.

Question 9. What administrative techniques and controls are used to ensure that timely action is taken on the procurement request?

9. All agencies have follow-up methods of one kind or another to ensure timely action on procurement requests. Two thirds of the agencies rely on personalized, manual systems. Of the large agencies, five (UNESCO, UNHCR, UNICEF, UN/PTS and UN/DTC) produce monthly computerized status reports, while the remaining agencies use different approaches to monitor timely action.

Question 10. What is your ceiling for authorization of local procurement?
Indicate amount in US dollars.

10. Most agencies reported no statutory limitations for their local procurement, provided certain advertising, financial and procurement procedures are complied with. Among the large agencies, the ceiling for local purchases (on the basis of a simplified authorization procedure) run from \$5,000 (UNFPA) to \$10,000 (ILO, UNDP/OPE, UNESCO, WHO). In the case of FAO, the ceiling is \$10,000 per order, without the need to refer the matter back to headquarters. The ceiling for local purchases from voluntary funds administered by UNHCR is \$40,000 per order or series of related orders.

Question 11. What is the ceiling for direct purchase (non-competitive bidding) in your agency? Indicate amount in US dollars.

11. The ceiling for non-competitive bidding varies from \$100 to \$10,000, with only two agencies (UNESCO and UNIDO) having a ceiling of \$15,000. Generally, the smaller agencies have the lowest ceilings while agencies handling a large volume of procurement have ceilings in the \$5,000-10,000 range. However, all agencies have rules for systematic price comparisons to be undertaken and recorded whenever competitive bids are not formally solicited.

Question 12. What is the average time-lag between receipt of procurement request and issuance of purchase order for direct purchases, i.e., without competitive bidding?

12. One half of the agencies have an average time-lag of 10 days between receipt of a request which does not require competitive bidding and issuance of the corresponding purchase order. Among the large agencies, the average time span is 15 days for issuance of purchase orders for direct purchase. Further, it is noted that, except for UNIDO, the number of purchase orders issued for direct procurement is small compared to the total number of purchase orders.

Question 13. What is the average time-lag between the receipt of a procurement request and issuance of the corresponding request for proposals or bidding documents?

13. One half of the agencies require an average of 15 days between receipt of the request and issuance of the bidding document. The average time required for six of the large agencies is six days, but the time lag may be longer when large and complex purchases are involved.

Question 14. Does your office acknowledge receipt of procurement requests?

14. All agencies acknowledge the receipt of procurement requests, but the method used and the timing of the acknowledgement vary. Over half of the agencies acknowledge the receipt of a procurement request by the return to the originator of an annotated copy of the request. Others send their acknowledgement later by a copy of the purchase order, a letter, or a standard acknowledgement form; in some cases receipt is confirmed through the issuance of a periodic status report to the field offices.

II. IDENTIFYING THE SUPPLIERS/VENDORS/BIDDERS

Question 15. Do you require pre-registration of potential suppliers of equipment?

15. Most agencies have no formal pre-registration requirement for suppliers of equipment. Among the large agencies, only two (ILO and UNRWA) require completion of a pre-registration form.

Question 16. Do you require pre-registration of firms offering professional services?

16. Most agencies do not require pre-registration of firms offering professional services. Among the large agencies, however, four (FAO, ILO, UNRWA and WHO) do impose this requirement, while UNESCO requires pre-registration for certain large contracts where, if appropriate, a visit to the firm is undertaken.

Question 17. Does your office maintain a current roster of potential (a) suppliers/vendors (b) professional services sub-contractors?

17. Most agencies, including all the large ones, maintain both supplier/vendor rosters and professional services sub-contractor rosters. Thirteen agencies use a computerized system. UNICEF uses a system by which separate listings of suppliers of goods and services are maintained by the individual procurement officers rather than kept centrally.

Question 18. Does your office maintain files of catalogues and technical literature?

18. All agencies maintain files or collections of catalogues and technical literature covering their traditional requirements and fields of expertise.

Question 19. Do requisitioners have access to the files?

19. All agencies maintain their catalogues and technical literature for the benefit of the requisitioners as well as the procurement staff. Access to this material is restricted only by constraints of distance in those cases where the requisitioners are in the field. However, any request for such material from the field is handled as a matter of routine by such agencies.

Question 20. Are brokers or agents included in your roster? If so, under what circumstances?

20. About two thirds of all the agencies include brokers and agents in their roster. Among the large agencies, only FAO does not. It should be noted that manufacturers often insist that orders be placed with a recognized agent responsible for the delivery of equipment and supplies to a given geographic area. Brokers, on the other hand, are used by the agencies when it is found that they can offer lower prices or better delivery terms for given requirements than those obtainable from other sources.

Question 21. How often is your roster updated?

21. All agencies update their rosters on receipt of corrections, supplementary information or new data. In addition to this continuous updating process, several agencies carry out a general updating of their rosters at pre-set intervals. Most agencies also verify the applicable information contained in their rosters at the time of considering a particular firm for a large contract.

Question 22. How do you handle equitable geographical distribution of procurement?

22. The principal means used by the agencies to achieve a more equitable geographical distribution of procurement is through competitive bidding in line with established financial rules and regulations, so as to give all qualified suppliers a fair chance to compete. Efforts are regularly made to identify procurement sources which appear to be underutilized and thus require special attention in order to restore equitable geographical distribution of procurement. Presently the key areas which need special attention are:

- (a) Developing countries;
- (b) Underutilized major donor countries;
- (c) Countries with accumulated non-convertible currencies.

By reviewing the situation periodically, and in the context of the Inter-Agency Procurement Working Group, agencies make sure that shifts in actual procurement patterns are identified and that procurement personnel are notified of these findings so that they may take them into account in planning current and future procurement. Most agencies follow these basic practices.

23. A general agreement has been reached among the agencies to increase advertisement of business opportunities exceeding \$100,000 in the bimonthly publication Development Business, which receives wide geographical distribution. This practice helps to make planned procurement known to as many potential supply sources as possible and thus widen the geographical participation.

Question 22 (a). What improvements could be made in your roster which would assist in facilitating equitable geographical distribution of procurement?

24. Most agencies endeavour to add to their rosters firms from countries which currently are considered as being underutilized. Some agencies - notably UNIDO - participated in special missions to underutilized major donor countries and to developing countries with a view to identifying new supply sources for inclusion in their rosters. This practice is likely to continue in the future. ILO makes special efforts to make its rosters as complete as possible in respect of firms from major donor countries. FAO also takes special steps to ensure that its rosters are complete and regularly improved as regards geographical distribution. A number of agencies have participated in special trade fairs, seminars and conferences in order to identify firms in underutilized countries for inclusion in

their rosters. All agencies have available to them a publication produced by IAPSU entitled Procurement Sources in Developing Countries. This publication, which IAPSU endeavours to expand and update on a continuous basis, provides verified information on supply sources in developing countries for products commonly needed by the agencies.

Question 22 (b). What operational suggestions can you make which could enhance equitable geographical distribution?

25. Many agencies propose that special searches of their existing rosters be made regularly with a view to identifying supply sources in underutilized areas. In this connection, UNDP/OPE has recently introduced a special form which requires procurement staff to list supply sources by target areas even in cases of relatively small value procurements. The following agencies will consider competitive tendering limited to firms in a restricted geographical area provided there are enough suitable supply sources for given requirements: FAO, Habitat, IAEA, ICAO, ILO, IMO, ITC, ITU, UNDP/OPE, UNHCR, UNFPA, UNICEF, UN/PTS, UN/DTC, WHO and WMO.

26. Many agencies have recently increased the access of firms from developing countries through decentralization of certain procurement activities. UNESCO, for example, has delegated part of its procurement to its regional establishments in Bangkok, Dakar and Caracas, particularly for less technologically advanced equipment. The Habitat procurement of in-house requirements takes place in the East Africa region. UNDP/OPE and UN/DTC have both recently increased the purchasing authority at the field level to \$40,000. In a number of agencies - particularly ILO, UNESCO, UNIDO, UNRWA and WHO - contracts and procurement officers have undertaken missions to the affected countries in order to identify suitable supply sources.

Question 22 (c). Is there a trend in your organization towards increased procurement from developing countries?

27. An increase in procurement from developing countries has been the trend in the great majority of the agencies, including the following: FAO, IAEA, ICAO, ILO, IMO, ITC, ITU, PAHO, UNDP/OPE, UNEP, UNFPA, UNHCR, UNICEF, UNIDO, UN/DTC, UPU, WHO and WMO. Only Habitat, UNOG and UNRWA have noticed a different trend.

Question 23. Do you require a minimum of bidders for comparison of offers? If yes, how many? In excess of what dollar value?

28. All agencies strive to have at least a minimum of three valid, acceptable offers whenever procurement is handled on a competitive basis. Even where no formal competitive bids are solicited, systematic price comparisons are prescribed by the financial rules of virtually all the agencies.

Question 24. Do you maintain a roster of blacklisted or disqualified firms, and, if so, do you make copies of such a list available to other United Nations agencies?

29. ILO, UNESCO, UNHCR, and UNOG maintain lists of companies which have failed to perform adequately in one or several important respects. In order to avoid legal complications, this information is normally kept on a restrictive basis.

Question 25. What are the reasons for blacklisting a supplier/sub-contractor?

30. The main reasons cited by the five agencies who do maintain rosters, were late or incomplete delivery, substandard quality, inadequate packing, unsatisfactory settlement of claims relating to shortcomings during a period of guarantee, etc.

Question 26. For how long is the company kept on such a list? and

Question 27. What are the procedures followed to remove a company from the blacklist?

31. A company is normally reinstated in the roster when it has been established that the original reason for blacklisting the firm has been eliminated and the firm's reliability has been restored.

Question 28. Do you accept bids or proposals from an unsolicited source in a given procurement action? If yes, under what circumstances?

32. Most agencies accept unsolicited bids, but make their acceptance dependent upon the normal verifications of the reliability of the company involved. IAEA (I) and (II), ILO, UNDP/BFA, UNEP and UPU do not consider bids from an unsolicited source.

Question 29. Do you maintain a supplier/vendor performance analysis register?

33. Only UNRWA and UNU maintain a formal supplier/vendor performance analysis register.

III. THE PROCUREMENT PROCESS: GENERAL

Question 30. Under what circumstances do you waive competitive bidding?

34. The financial rules of the individual agency set down the specific circumstances under which competitive bidding may be waived. The main reasons quoted for waivers are proprietary articles, approved standardization programmes, repeat service contracts and emergencies.

Question 31. For what period of time do you waive competitive bidding for a new procurement based on an earlier identical or similar procurement?

Question 32. Who authorizes such waivers?

35. Agency practices vary considerably, based on the type and the monetary magnitude of the purchase. Generally the time-limits are as follows: IMO, 60 days; IAEA and ICAO, 90 days; PAHO, UNIDO, UN/PTS, WHO and WMO, six months; ILO, ITU, UNICEF, UNFPA and UNOG, one year, with ILO and UNFPA restrictions to no change in prices or conditions; FAO, 18 months if the amount involved is below \$10,000. UNHCR does not have a specified time-limit, but where a new procurement is for an identical, recently purchased, item under competitive bidding, a waiver of bidding may be obtained. The interpretation of "recent" depends on the product, market conditions and currency fluctuations. It could be as long as one year in respect of services and as short as one month for some industrial products. The financial rules of the individual agencies normally specify the official who can authorize waivers and for which amount of money.

Question 33. On the expiration of a contract, do you allow for an escalation of costs in any renewal? If yes, on what basis?

36. No clear-cut answer can be given to this question since the individual circumstances dictate the disposition of each case. No agency will consider an escalation of price unless it can be clearly and convincingly demonstrated that suppliers' or contractors' costs have in fact increased.

Question 34. To what extent do you state your agency procurement practices in your invitations to bid or requests for proposals?

37. The importance of providing the fullest possible information about basic conditions of contract when sending out invitations to bid or requests for proposals is widely recognized by almost all agencies. However, the extent to which such information is provided varies, depending upon the complexity of the particular procurement and the amount of money involved. PAHO, UNEP, WHO, WIPO and WMO do not provide details of their agency procurement practices in advance to prospective bidders.

Question 35. Do you require a fee or payment for a tender document? If so, how much?

38. For projects financed by development banks, ILO charges tender fees ranging from \$40-\$100, but only when the cost involved exceeds \$100,000. The other agencies do not charge a fee for tender documents.

Question 36. To what extent and under what circumstances do you state in requests for proposals the amount budgeted for the particular activity?

Question 37. What do you do when a company asks how much money is in the budget for a particular activity?

39. Several agencies (FAO, Habitat, IMO, ICAO, UPU and UN/DTC) mention the amount budgeted when it is felt that an indication of the amount is necessary to understand the scope of work involved and to deter companies from submitting proposals exceeding the available budget provisions. ILO indicates the budgeted amounts when the aggregate of the purchases involved exceeds \$500,000 and for smaller amounts may give a range of amounts budgeted. UNDP/OPE and UNIDO always state the amount budgeted in the case of contractual services; the remaining agencies do not state the amount budgeted when requesting proposals. If a specific company requests information about the amount budgeted for a particular activity, the agencies will furnish the information to all the companies invited provided they find upon re-examination of the case that knowledge of the budget amount is necessary to properly understand the requirement.

Question 38. Do you disclose the number, names and nationality of firms receiving requests for proposals or invitation to bid?

Question 39. If so, under what circumstances?

40. Most agencies do not disclose such information. ILO, UNCTAD, UNFPA, UN/PTS and WMO do make it available on an ex post facto basis, but only upon specific request.

IV. PREPARATION FOR BIDS

Question 40. How are bids invited?

41. All agencies mail their invitations to bid directly to known, potential supply sources. UNHCR sends most of its invitations to bid by telex. If time permits and if the amount of money involved warrants such action, certain agencies (notably ICAO, ILO, UNEP, UNOG, UN/PTS and UN/DTC) also make their requirements known through advertising. However, it has been agreed, as stated in the analysis to question 22, that increased efforts will be made by all agencies to publish all business opportunities above \$100,000 in Development Business.

Question 41. What is the normal time-limit for receipt of bids?

42. All agencies allow between 30 and 60 days. Due to the emergency nature of its work, UNHCR allows between 24 hours and 30 days. These limits will vary within a given agency depending on the amount of money involved, the complexity of the subject, whether it is a call for equipment or for contractual services and whether the tendering is domestic or international.

V. RECEIPT OF BIDS OR PROPOSALS

Question 42. Do you publicize the names of firms who submitted proposals?

43. The 14 agencies who have public bid openings are listed under question 46. Habitat, IAEA (I), PAHO, UNDP/OPE, UNEP, UNFPA, UNU, WHO and WMO will release names of firms who submitted proposals upon request from any of the firms who participated in the bidding. The other agencies do not divulge such information.

Question 43. What are your established rules for the treatment of late bids or proposals?

44. Agency practice varies greatly on the treatment of late bids or proposals. Twelve agencies (FAO, Habitat, ILO, PAHO, UNDP/BFA, UNDP/OPE, UNICEF, UNOG, UPU, UNRWA, WHO and WMO) systematically reject any bid or proposal which is received late (unless clearly postmarked prior to the deadline). The other 17 agencies will accept late bids under specifically prescribed circumstances.

Question 44. Do you take into consideration bids arriving on time, i.e., before the closing date, but either as an open letter offer or as telex offer, thus not complying with the proper method of submission of sealed bids? If so, under which circumstances?

45. Ten agencies (Habitat, ILO, IMO, ITU, UNDP/OPE, UNICEF, UNFPA, UNHCR, UN/PTS and UNRWA) seal such bids upon receipt, and then consider them together with other bids. IAEA (I), ICAO and UNESCO see the sealed bid as a protection for the bidder, who forfeits such protection when sending an open bid. Five agencies (FAO, ITC, UN/DTC, WHO and WMO) categorically refuse acceptance of such material, while the remaining 11 agencies either have never encountered the problem or deal with each case on its own merit.

Question 45. How do you secure bids until opening?

46. All agencies keep bids under lock and key until opening.

Question 46. Do you have a public opening of bids?

47. The following 14 agencies have public bid openings: IAEA (I), ILO, ITU, PAHO, UNCTAD, UNDP/OPE, UNEP, UNFPA, UNICEF, UNOG, UN/PTS, UN/DTC, WMO and WHO. The remaining 14 agencies (FAO, Habitat, IAEA (II), ICAO, UNDP/BFA, IMO, ITC, UNESCO, UNHCR, UNIDO, UNRWA, UNU, UPU and WIPO) do not normally open bids publicly.

Question 47. After the opening of sealed bids, do you approach bidders and negotiate a lower price? If so, under what circumstances?

48. FAO, Habitat, IAEA (I), ICAO, ITU, UNDP/BFA, UNDP/OPE, UNESCO, UNFPA, UNHCR, UNIDO, UNRWA, UNU and WIPO occasionally negotiate with the lowest bidder when budgetary limits are exceeded or modifications to the bid have merged during the bidding process. In most such cases, special internal clearance by the agency contracts committee or similar body is required before approaching the bidder. The remaining 14 agencies accept the lowest cost bid - provided it meets the technical specifications - without attempting to negotiate a lower price.

VI. EVALUATION

Question 48. Who makes the evaluation of bids?

49. The evaluation of bids is always done by the procurement officer, who may be assisted by agency technical experts, ad hoc committees or outside consultants to the extent required. It should be noted that the evaluation is assessed by the approving authority, i.e., a senior officer of the procurement service and/or the agency contracts committee, depending upon the amount involved and the applicable agency rules.

Question 49. Is the technical evaluation part of the cost evaluation?

50. IAEA (II), FAO and UNIDO carry out separate technical and cost evaluations. UN/PTS does so only for equipment. All other agencies look at both the technical and financial aspects as integral parts of the evaluation.

Question 50. What criteria do you establish for comparing bids/evaluation of offers (a) for equipment and (b) for professional services?

51. The criteria for comparing bids or evaluating offers may be summed up as follows:

(a) For equipment: compliance with technical specifications, delivered costs and availability of after-sales service (life-cycle cost may be considered by some agencies in the case of high-cost equipment);

(b) For professional services: compliance with terms of reference, methodology proposed, capability to perform, experience of the company, qualifications of expert personnel offered and cost.

Question 51. At what point are bids and proposals expressed in currencies other than US dollars converted to US dollars for purposes of evaluation and comparison?

52. Fifteen agencies (Habitat, ICAO, ILO, IMO, UNCTAD, UNDP/OPE, UNFPA, UNICEF, UNIDO, UNOG, UN/PTS, UNRWA, UNU, UPU and WHO) convert at the time of bid opening, while 13 agencies do so at the time of bid evaluation. WIPO requests that all tenders be expressed in Swiss francs only and therefore does not face the conversion problem.

Question 52. At what exchange rate are bids and proposals expressed in currencies other than US dollars converted to US dollars for purposes of evaluation and comparison?

53. The United Nations official rate of exchange is used by all agencies except WHO, which uses the Interbank rate valid on the date of bid opening.

Question 53. Is this information put in the tender document?

54. Eight agencies (Habitat, ILO, UNDP/OPE, UNEP, UNOG, UN/DTC, UNU and WHO) do so. The remaining 21 agencies do not provide this information in their tender documents.

Question 54. To what extent are evaluation documents made available to outsiders, i.e., other parts of your organization, Governments or other bidders?

55. The evaluation documents are treated as strictly confidential by all the agencies which completed the questionnaire. These documents are, however, available to concerned internal bodies such as contract committees or auditors. Under no circumstances are the evaluation documents made available to bidders or other commercial entities, but a few agencies (ICAO, UNCTAD and UNESCO) will make strictly relevant documents available to a Government upon request.

Question 55. What is the involvement of the recipient Government in the selection of firms from whom proposals or bids are requested and in the eventual evaluation and decision-making process?

56. In analysing the responses to this question, a distribution must be made between the handling of bids for the supply of equipment and proposals for the provision of contractual services. It is also necessary to bear in mind that the evaluation process - whether for supply of equipment or services - is generally recognized as being an internal agency activity and that the agencies invariably are held responsible for the final decision, both as regards selection of the supply source and the terms of contract.

57. As far as equipment is concerned, it is general agency practice to consult with the recipient Government in the preparation of equipment lists and specifications and, if the Government asks, to be involved in deciding on the range of firms/countries to be invited to bid. The recipient Government is invariably consulted in connection with the selection of firms to be requested to make proposals for services to be provided under contract. A subsequent association of the recipient Government is also possible at the time of evaluating proposals for contractual services if the Government so requests. It should be noted that the question of recipient Government involvement is applicable only to agencies engaged in technical co-operation activities.

Question 56. Is there any involvement of donor Governments in the evaluation and decision-making process?

58. The analysis of the agency responses indicates that this question may have been formulated too broadly to produce generally satisfactory answers. The only clear statement which can be made is that the involvement of a donor Government is a possibility which exists only in connection with trust fund projects or activities financed by one of the development banks. In these cases, there may be circumstances where a donor might be associated with the evaluation process, but no clear trend is discernible.

Question 57. How are shipping costs, including insurance, considered in making a bid evaluation for procurement delivered at free on board (FOB) costs?

59. All agencies except ICAO evaluate bids on the basis of landed costs or otherwise consider the shipping costs in selecting the supply source.

Question 58. Are bids ever solicited on other than a fixed-price basis, such as to include escalation costs?

Question 59. If so, how are the bids evaluated and how are subsequent claims administratively verified?

60. These two questions did not produce specific answers that could be compared. In general, an agency invitation to bid or request for proposals will not elicit price increase provisions or other cost escalation features. There may be cases, though, where an agency will accept some form of price escalation for long-term contractual engagements, but any such arrangement will always be on a case-by-case basis and no general response can be given to the two questions. Very few agencies furnished a reply to the question of subsequent claims related to cost escalation and several agencies considered it not applicable. ILO and UN/DTCB place the burden of proof on the contractor, while UNCTAD, UNESCO and UN/PTS use agreed indices for determining the escalation rate. ITU builds a price increase into the contract.

Question 60. To what extent are alternative proposals considered?

61. The information sought was whether agencies would consider two different proposals from a given firm submitted in response to one request for proposals. The general impression is that this would be acceptable to several agencies, but only if the two proposals were submitted simultaneously and if acceptance of the alternative proposals were deemed advantageous to the agency and to the furtherance of the project.

Question 61. In evaluation of bids, do you take life-cycle costing into consideration?

62. Under the life-cycle costing method of evaluation, consideration is given not only to the initial acquisition cost and to the expenditure involved in delivering the equipment to its destination; attempts are also made to include in the cost evaluation a reasonable estimate of what it will cost to operate the equipment over a given period of time. The latter cost estimate will include estimated expenditures for fuel/power, maintenance and spare parts. The concept is a relatively new one in the United Nations system and is applicable primarily when considering the purchase of expensive and large equipment. Until now, the life-costing method has been applied consistently only by three major agencies (ILO, UNESCO and UNICEF).

VII. CONTRACTS COMMITTEE

Question 62. Which officials at what level constitute your contracts committee?

63. The composition of the contracts committees varies from agency to agency, but most members are at director level; composition normally includes members of the finance, legal and technical services of the agency.

Question 63. Who chairs the committee?

64. In most smaller agencies, the head of administrative or financial services chairs the committee, while in the larger organizations the chairmanship is given to the most senior official of the committee, irrespective of the service which that official represents. No contracts committee exists in WIPO and UPU because of their very small procurement volume.

Question 64. Does the committee follow a set of rules or guidelines on your agency's procurement policy? How does the committee operate?

65. All committees are guided by internal agency rules and procedures. The committees meet in formal sessions and their recommendations are recorded in writing.

Question 65. After bid opening, what is the normal time lag before submission to the contracts committee?

Question 66. After contracts committee review and approval, what is the normal time lag before issuance of purchase orders or signing of contracts?

66. These are questions which cannot be answered generally since the time lag may vary greatly, depending on the complexity of each case and its urgency.

Question 67. For what percentage of cases does the contracts committee approve your first submission?

67. The contracts committees of the agencies expect all cases to be carefully justified and fully documented when being presented for consideration and on average more than 90 per cent of all cases are approved on the basis of the initial submission.

Question 68. Does the committee exercise an advisory function only or does it go further and direct the procurement office to comply with its decisions?

Question 69. How do you deal with a negative recommendation from the committee?

68. In all agencies but one, the committees are advisory to senior management and their rulings are therefore generally followed by the agency procurement service. Each agency has established procedures detailing the manner in which action contrary to the advice rendered by the committee may be taken. Such cases normally require written approval by an agency official at the most senior level. The UNHC

Contracts Committee decides on procurement proposals; it is not an advisory committee.

Question 70. What administrative controls or procedures have been instituted in your agency to ensure proper implementation of the committee's recommendations?

69. In many agencies, the controller or other senior official as well as both internal and external auditors review compliance. Basic responsibility rests with the procurement officer or senior official who, according to the agency rules, actually signs the purchase order or contract; procurement activities are also regularly controlled by internal and external auditors.

Question 71. To what extent does your agency's legal staff participate in or comment on the award of a contract?

Question 72. Does your agency's legal staff clear or otherwise examine drafts of contracts which may have difficult or complicated clauses?

70. In the majority of agencies, a representative of the legal office is a member of the contract committee and draft contracts are usually reviewed by legal staff, particularly in cases where they are complex or contracts deviate from standard practice. Three agencies (Habitat, UNDP/OPE and UNFPA) have no legal staff of their own, but have the possibility of referring special cases to the United Nations Office of Legal Affairs for advice.

Question 73. With regard to regional and field offices, has your committee created subsidiary contract committees or other bodies which perform parts of the headquarters function? If so, describe how these subsidiary bodies function. If not, how does headquarters service the needs of their regional or field offices?

71. UNICEF and WHO give their subsidiary committees the same rights as are given to the headquarters committee. UNCTAD, UN/PTS, UNRWA and UN/DTCD have subsidiary contracts committees at the regional level, but the authority of these subsidiary committees is limited and they can deal with cases only below a pre-set monetary limit. FAO has a special provision for local construction contracts not exceeding \$300,000. UNHCR authorizes the establishment of ad hoc local committees on contracts in certain large emergency programmes. The limit of expenditure a local committee is authorized to approve is established from headquarters. In all other agencies, local purchases in excess of established limits are dealt with by the headquarters committee.

VIII. AWARDS

Question 74. How many copies of the purchase order are prepared and to whom are they distributed?

72. The number of copies ranges from 5 to 16. Copies are distributed to all officials who need to be informed.

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Question 75. How do you formally notify unsuccessful bidders? What is the nature and extent of information you provide them?

73. Seventeen agencies notify unsuccessful bidders by letter or telex without providing the reason for failure or giving further explanations (FAO, Habitat (only for contracts), ICAO, ILO, IMO, ITC, UNCTAD, UNDP/BFA, UNDP/OPE, UNEP, UNESCO, UNHCR, UNOG, UN/PTS, UNRWA, UN/DTCDC (only for contracts) and WIPO). In some of these agencies, notification is sent out only when the amount of money involved exceeds a certain level. Seven agencies notify unsuccessful bidders upon request only (IAEA (I) and (II), PAHO, UNFPA, UNIDO, WHO and WMO). Four agencies do not notify unsuccessful bidders (ITU, UNICEF, UNU and UPU).

Question 76. What is the nature and extent of information provided to Governments whose companies submitted unsuccessful bids or proposals?

74. Habitat, ICAO, UNDP/OPE, UNHCR, UNICEF, UNIDO, UN/PTS and UN/DTCDC will provide information upon written request, but limited to a brief statement giving the basic reason for lack of success. Ten agencies do not provide this type of information to Governments (FAO, IAEA, ILO, IMO, ITC, UNDP/OPE, UNFPA, UNRWA, UPU and WHO). The remaining agencies do not consider this applicable.

Question 77. Where do you keep copies of the contract?

75. Copies of the contract are usually kept in the central registry of the agency and in the project file.

Question 78. How long are records relating to particular actions and contract awards maintained?

76. Five years appears to be the average time of preservation of records relating to awards, but there are quite significant variations among the agencies.

Question 79. Are these records open to unsuccessful bidders on demand?

77. None of the agencies will consider opening their records to unsuccessful bidders.

IX. POST CONTRACT FOLLOW-UP

Question 80. Do your standard procurement contracts refer to official agency rules and procedures for procurement?

78. About 50 per cent of the agencies include such reference in their standard procurement contracts.

Question 81. What measures do you take to guard against faulty delivery or non-performance? How do you establish performance security?

79. Performance bonds as well as the withholding of a certain percentage of the total contract sum until the end of the contract period and/or the end of the validity of a performance bond are used by most agencies, particularly in cases involving sophisticated equipment (FAO, Habitat, IAEA, ICAO, ILO, IMO, PAHO, UNDP/OPE, UNESCO, UNFPA, UNHCR, UNIDO, UN/PTS, UNRWA, UN/DTCD and WMO). The need for inspection, often by third parties, is generally recognized when the shipment of sensitive and valuable equipment is involved and provisions are made for such inspections to be carried out in appropriate cases. In addition, only equipment which is covered by a normal commercial warranty will be procured. Penalty clauses are not generally used by the agencies, but they have occasionally been inserted in high-value contracts by FAO, ICAO, ILO, IMO and UNRWA.

Question 82. How do you handle the supervision of inspection and quality control for your contracts?

Question 83. Where do you normally require that such inspections be performed?

80. Almost all agencies have occasionally engaged professional companies or recruited consultants for the purpose of inspection and quality control, but only when very large orders are involved (FAO, Habitat, IAEA, ICAO, ILO, IMO, PAHO, UNDP/OPE, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UN/PTS, UNRWA, UN/DTCD and WHO). For smaller equipment purchases the agencies carry out the inspection themselves. In those cases where installation at the project site is required, a part of the payment is often withheld until the project staff has certified that the equipment has been installed and is functioning satisfactorily. Five agencies inspect at the supplier's premises (UNHCR, IMO, UNICEF, UNIDO, WHO); 1 at dockside (UNFPA), and 11 at the point of delivery (Habitat, IAEA, ICAO, IMO, PAHO, UNDP/OPE, UNESCO, UNIDO, UNRWA, UN/PTS and UN/DTCD). Some agencies use two or all three of the aforementioned methods, depending on the type and value of the equipment.

Question 84. Who normally supervises the delivery and acceptance process and who has the responsibility of preparing the receiving report?

81. The supervision of delivery and acceptance of goods and supplies received at the agency headquarters for the agency's own requirements rests with the receiving officer or the warehouse staff. Receipt and inspection of equipment and supplies for operational activities usually takes place at the receiving end, by the chief technical adviser or other technical field staff, often in co-operation with Government counterpart staff. Sometimes, this function may be handled by the Government counterpart personnel only, particularly in those instances where no agency experts are assigned to the project.

Question 85. Do you have trouble obtaining this document in a timely fashion from the field? If yes, how do you resolve this problem?

82. Fourteen agencies have problems in securing the receiving report within reasonable time-limits (FAO, Habitat, IAEA, ILO, ITC, PAHO, UNDP/OPE, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, WHO and WMO), while the other 15 procurement services do not appear to be faced with such problems, or have them only occasionally. Agencies resort to repeated follow-ups, by letter and/or telex, to obtain overdue receiving reports.

Question 86. How do you arrange for and supervise the shipping, transportation insurance and related administrative processes of a given contract?

83. Since the manner in which the shipping and insurance of goods is arranged varies from case to case and from agency to agency, it is not possible to present a comprehensive picture here. However, some agencies (ILO, UNESCO, UNICEF, UN/DTC and UN/PTS) have concluded contractual arrangements with forwarding agencies who handle shipping arrangements for pre-set fees, but the same agencies may also procure goods on a cost, insurance, freight (c.i.f.) basis, i.e. with the supplier being responsible for shipment and insurance. Other agencies procure all or most equipment on a c.i.f. basis (FAO, ICAO, ITC, UNDP/OPE, UNEP, UNFPA and UNU). Habitat, IMO, UNHCR, UNIDO, UN/PTS and UNRWA procure on cost and freight basis. At UNIDO, turn-key plants are unfailingly purchased c.i.f. final destination/plant site. Three agencies (UNICEF, UN/PTS and WHO) have in-house shipping units.

Question 87. How do you process and control the application of penalty clauses, prompt payment discount clauses, liquidated damage clauses, latent defect clauses, etc.?

84. All invoices are pre-screened by the agencies to ensure that priority is given to payments where discounts are applicable. All invoices, prior to payment, are verified against purchase orders, packing lists, shipping documents, and, in the case of contractual services, against the terms of the contract.

Question 88. How do you process and control the timely payment due on the contract?

85. All payments are due against invoices and other supporting documentation, such as satisfactory receiving reports submitted by the suppliers or contractors. Timing the submission of an invoice, in turn, will depend upon the terms of the individual purchase order or contract. The processing and control of timely payments, therefore, is a question of ensuring the necessary internal control and follow-up on all documents to be received from suppliers and contractors. Agencies have established their own internal procedures and systems specifically designed to meet their individual requirements.

Question 89. Do your contracts provide for a percentage retention of final payments to ensure compliance? If so, how much and how long?

86. For service contracts, most agencies retain between 10 and 20 per cent of the contract sum, depending on the nature of the contract. The retained amount is paid out only when all contractual obligations have been met. As regards purchase of supplies and equipment, seven agencies (ILO, UNDP/BFA, UNEP, UNFPA, UNHCR, UNOG and UPU) do not provide for retention of a part of the total payments, while the remaining agencies will withhold about 10 per cent until the equipment has been installed and certified as being in good working order. UNESCO generally pays 90 per cent on invoice and shipping documents, 5 per cent on installation completion and 5 per cent at the end of the guarantee period. WIPO did not reply to this question.

Question 90. What warranties or guarantees are normally asked of potential suppliers?

87. Potential suppliers are asked to provide the standard product warranties common in the respective industry, usually 6 to 12 months from the date of delivery or date of installation.

Question 91. What are your practices relating to after-delivery maintenance contracts?

88. The question as phrased covers very varied situations and it is not possible to draw definite conclusions from the agency responses. Generally it can be said that:

(a) The availability of adequate maintenance facilities is an important element in the preparation of purchasing specifications;

(b) All agencies take full advantage of the warranty period provided by the suppliers under the purchase contract terms;

(c) Agencies are prepared - if requested by the recipient Government - to conclude special maintenance contracts to cover the upkeep of expensive equipment after the expiration of the warranty period;

(d) Procurement services responsible for agency headquarters requirements conclude and manage a large number of contracts for the maintenance, servicing and repair of various headquarters installations; and

(e) In the case of major continuing maintenance and service requirements, a large agency may set up its own facilities and workshops (UNRWA, for example, does so for its vehicle fleets).

X. MISCELLANEOUS

Question 92. Have you ever procured second-hand equipment? If so, what type of equipment and on what basis?

89. Twelve agencies (Habitat, IAEA, ICAO, ILO, ITU, UNESCO, UNFPA, UNICEF, UNIDO, UN/PTS, UN/DTCD and WMO) have procured, at one time or another, second-hand equipment, including aircraft, vehicles, drilling, engineering and computer equipment. In most cases, the agencies arrange for inspection of such equipment by its own personnel or professional consultants to ensure that the equipment is in good working condition. Warranties for second-hand equipment are often difficult to obtain and are usually limited in their coverage.

Question 93. How do you handle procurement when a letter of credit is required?

90. Payment by letter of credit is generally discouraged by all agencies. Under special circumstances and as a last resort, some agencies may accept to make advance payments, normally based on work in progress, or as is practised in UNIDO, against an unconditional guarantee from a bank or insurance company.

Question 94. Have the procurement officers in your agency normally been named as the individual(s) duly authorized to enter into contracts on behalf of the agency?

Question 95. If so, has this been done by a formal delegation of power or by a certification?

Question 96. If not, is it implied by the job description of the procurement officer?

Question 97. What are your practices, if any, for providing both formal and on-the-job training for the junior members of the procurement office?

Question 98. Are the senior officers able to take refresher courses or attend procurement seminars? If so, state details.

91. Questions 94-98 refer to internal procedures. The responses by the agencies are very difficult to analyse in this short space. The questions have therefore been deleted from the questionnaire in order to avoid giving incomplete or otherwise misleading summaries.
