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BUDGETARY AND FINANCE COMMITTEE
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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

Rapporteur: Mr. Hans OLSSON (Sweden)

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

D. Common procurement policies and practices

1. For its consideration of this subject under item 9 (d) of the Council's agenda and in accordance with decision 86/47 of 27 June 1986, the Committee had before it a note by the Administrator contained in DP/1987/10. A paper entitled Common principles and practices governing procurement of goods and services by the United Nations system of organizations issued in May 1987 was also provided to the Committee. These documents were introduced by the Assistant Administrator, Bureau for Special Activities.

2. This item had been on the Council's agenda since 1981, when the Administrator was requested to issue guidelines for the procurement of equipment, supplies and services, pursuant to UNDP financial regulation 15.4. In its decision 83/34 of 24 June 1983, the Council urged the Administrator to pursue with the executing agencies the study that had already been initiated on their procurement practices. The Inter-Agency Procurement Working Group (IAPWG) with the assistance of the Inter-Agency Procurement Services Unit (IAPSU) had formulated a questionnaire to analyse the differences in procurement practices of United Nations bodies, and it was felt that the exercise would offer a vehicle for achieving both greater transparency and ultimately greater uniformity of procedures.

3. Document DP/1987/10, prepared by the staff of IAPSU contained the summary of answers to the questionnaire. The exercise, however, was overtaken by the further work done on this basis, and which was contained in the informal paper before the Committee. The text, resulting from an initiative of IAPWG and finalized at the Group's last meeting, held in Ottawa in April-May 1987, would in practice achieve what the guidelines had been intended to establish. To a high degree, the common principles harmonized the procurement principles and practices as applied by the agencies. The differences from one organization to another are clearly indicated. These continue to exist given the types of procurement undertaken by agencies of varying sizes and mandates.

4. The work on the issues of the guidelines and on harmonization was now completed, but the Assistant Administrator indicated that further work would be done concerning small purchase orders, the harmonization of contractual conditions, and the creation of a common coding system for the registration of suppliers and contractors with United Nations organizations.

Summary of the discussion in the Committee

5. Members agreed that the work accomplished provided greater transparency on the procurement practices within the system but indicated the imperative need to go beyond the descriptive analysis. The documents before the Committee presented a number of shortcomings in the procurement patterns of the agencies, for which no improvements were suggested. The internal procurement process of all organizations had to be clarified according to definite strategies to attain an equitable geographical distribution.

6. Disappointment was expressed at the lack of the analysis requested on the procurement trends from underutilized countries to be illustrated with charts and tables. Greater incentives should be provided to utilize sources from developing countries and reduce reliance on a selected group of traditional suppliers. Procurement officers were too much guided by their judgement and past experience, especially for low-value purchases, which represented the majority of their activities. Several members suggested that an analysis on the obstructions to international competitive bidding and on the number of and reasons for waivers be provided. Steps implemented by the United Nations Industrial Development Organization (UNIDO) in fielding missions to underutilized major donors and developing countries, and by the UNDP Office for Projects Execution (OPE) to shortlist supply sources by target areas should be adopted throughout the system. One member referred to the invitation made to IAPSU to undertake a mission fully funded by his Government for the identification of suppliers. Another member mentioned the seminars planned by IAPSU and the International Trade Centre (ITC).

7. Information on business opportunities had to be increased. The World Bank's practice in publishing the requirements of all contracts was cited as an example. Several members expressed appreciation on the agreement reached by IAPWG to increase advertisement of business opportunities in the bi-monthly publication Development Business. One member requested information with regard to its

circulation. Referring to the need for organizations to expand and update their rosters of firms, members mentioned the frustrations met by companies to acquaint procurement services with their products and services. A common registration process should supersede the existing individual procedures, a source of confusion for the private sectors. Disappointment was expressed over the disproportionate emphasis made in the documentation on equipment. The inclusion of other procurement activities such as training and fellowships was suggested. These figures, contained in the annual report of the Administrator, should be combined with those related to purchases of equipment and supplies to enable an overview of all procurement aspects. Another comment related to the life-cycle consideration, without which cost-effectiveness could not be guaranteed.

Response of the Administration

8. The Assistant Administrator mentioned that the separate report on procurement from developing countries was before the plenary. In answer to a question, he explained that agreement had been reached to advertise business opportunities above \$100,000 in order to lighten the load of procurement units while maintaining the policy of disseminating information on tenders. The ceiling for undertaking international competitive bidding should be harmonized throughout the system. The imbalanced focus on equipment reflected the major activity of IAPSU. The Assistant Administrator emphasized that the United Nations system was the only market where the buyers were responsible for finding the sellers who also should the responsibilities. Appreciation was expressed to the Government of India for its invitation to IAPSU to undertake a fully funded mission.

Further discussion in the Committee

9. Several members stressed the necessity to maintain the item on guidelines of procurement under review. Reference was made to debates on the subject by the Council's Working Group in February 1987 and to the one-day meeting held in New York in May 1987 with the participation of heads of procurement services, following the IAPWG meeting held in Ottawa. The co-operation between UNDP and the agencies was noted. Concern over the high number of waivers of international competitive bidding was reiterated, as well as the absence of a clear picture on the total procurement activities, also comprising the small orders. One member raised the question of using incentives and penalties to increase the performance of suppliers. He wondered whether the ceiling for local procurement should not be increased.

10. The work accomplished by IAPSU, despite its limited staff, was praised. Members encouraged IAPSU to continue its activities in increasing procurement from developing and underutilized countries and on standardization. The compilation of statistical data on procurement was an important exercise which should be further improved. One member suggested that computerization within the United Nations system should be approached in a centralized manner. Several members recognized the need to strengthen the personnel of IAPSU, considering the tasks to be accomplished.

Further response of the Administrator

11. The Assistant Administrator indicated that the request for analysing the purchases made without recourse to competitive bidding would be taken up with agencies. The proposal that IAPSU act as a central office on the standardization of computer equipment was noted. The question on penalties had been rejected by most organizations. The issue for increased procurement from developing countries should be taken up in the legislative bodies of agencies, where it had not been sufficiently raised. Government representatives sent to the meetings of specialized agencies often originated from ministries different from those to which delegates covering UNDP were attached. The Assistant Administrator welcomed the initiative to increase the staffing of IAPSU, particularly in light of the new activities undertaken with OPE for organizing seminars and producing binders. Funding previously provided by the United Nations Secretariat for the exercise on statistical data had been suspended. The unit operated with limited financial and human resources.

Further discussion in the Committee

12. Several members requested a detailed proposal for additional staffing. One member queried the possibility of using staff under temporary secondment following redeployment. The Technical Co-operation among Developing Countries (TCDC) unit benefited from that arrangement. A question was raised on the status of the informal document before the Committee.

Further response by the Administration

13. The Associate Administrator informed the Committee that the information required on staffing proposals would be provided. Inputs would be given by the Chief of IAPSU. The informal document distributed to members on Common principles and practices governing procurement of goods and services by the United Nations system of organizations would be inserted in the next issue of the General Business Guide.

Recommendations of the Committee

14. Following its discussion on this subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council

1. Takes note of the report of the Administrator of the United Nations Development Programme on the analysis of responses to the questionnaire on agency procurement practices (DP/1987/10) and of the oral report thereon;

2. Approves the approach taken and expresses satisfaction with the comprehensive statement now prepared on the common principles and practices governing procurement of goods and services, incorporating a major system-wide harmonization effort;

3. Urges the Inter-Agency Procurement Services Unit to work with the agencies of the United Nations system in order to expand further the area of commonality in procurement, particularly with a view to increasing procurement from developing and underutilized donor countries, consistent with maximum effectiveness.

