T O T H E G O V E R N I N G C O U N C I L
Draft report of the Budgetary and Finance Committee
Rapporteur: Mr. K. Tenkorang (Ghana)
Addendum


B. Procurement from developing countries

1. For its consideration of the financial aspects of item 4(a) of the Council's agenda, the Budgetary and Finance Committee had before it the report of the Administrator contained in document DP/1988/20. The Assistant Administrator, Bureau for Special Activities (BSA), in introducing the item, informed the Committee that the report was in response to decisions 87/46 of June 1987 and 87/19 of June 1987. Referring to the mandate of the Inter-Agency Procurement Services Unit (IAPS), he stated that the initial major task of promoting standardization within the United Nations system, while still important, had over time been joined by activities of equal magnitude and importance, such as increasing procurement from developing and underutilized donor countries and the harmonization of procurement.
procedures. The Assistant Administrator described how the Unit was organized to tackle the increased demands made on it. He expressed the hope that the one Professional and one General Service post provided on a temporary basis by the Council in 1987 would be converted to established posts. Staffing was now barely adequate. If new tasks were requested of IAPSU, the Unit should either be strengthened or, alternatively, be relieved of some of its present responsibilities. A number of activities were extremely labour-intensive, and the statistical data exercise, for which no subvention was received from the United Nations, was also a heavy burden on small staff of IAPSU.

2. The exercise on the harmonization of rules and procedures governing procurement witnessed significant progress with the paper on Common Principles and Practices, presented in 1987, following close consultations with agencies. At the request of the Council, the 1988 Helsinki meeting of the Inter-Agency Procurement Working Group (IAPWG) had studied possibilities of expanding further the area of harmonization in procurement and had established a sub-working group consisting of five agencies and IAPSU. It would determine, in particular, whether the differences negatively affected the transparency of the procurement process from the point of view of the international business community, and make recommendations to the fourteenth IAPWG meeting to be held in April 1989.

3. With respect to the position of IAPSU in the United Nations system, the Assistant Administrator suggested that no modifications be made to the existing organizational and financial arrangements. Within the framework of UNDP, IAPSU was able to handle centrally a wide range of functions.

Discussion by the Committee

4. Members acknowledged the value of the services rendered by IAPSU, and several members supported the increased role of IAPSU in expanding the geographical distribution of United Nations procurement sources, traditionally concentrated on a few countries, by identifying the capabilities of both developing and underutilized major donor countries. They considered that the activity, which promoted development and had a direct impact on the private sector, should take a high priority in the IAPSU work programme. Other delegations welcomed the increase in the number of binders, as well as the selection criteria based on prices and quality.

5. To promote increased trade among developing countries, it was suggested that IAPSU envisage a cross-reference binder to provide a framework for
exchanging information on all products available in developing countries. With regard to the identification by IAPSU and the International Trade Centre (ITC) of certain developing countries as potential sources of common-user items, one delegation asked whether there had been undue influence on several Governments in the selection of such projects. While procurement from developing countries had improved slightly, the declining percentage in procurement from underutilized major donor countries was disappointing.

6. Several members felt that greater efforts should be devoted to the timely issuance of information on business opportunities. Liaison activities needed to be strengthened. Consideration should be given to establishing contacts with commercial or relevant Government bodies. While producers and sellers needed improved information, the cost involved would be high. Several delegations suggested that regional bureaux develop a data base of all projects in the pipeline or under approval, indicating where commercial tendering would be used. Such information could be made available in New York. Other delegations, however, expressed reservations about embarking on what could be considered a utopian idea. They were concerned that setting up a data base system only reflected a fashionable trend.

7. With regard to General Assembly resolution 42/196, which called for improving the quality and reliability of the statistical data, a number of delegations argued for expanding the data-base to include, in addition to equipment, all other procurement activities such as fellowships, experts, consultants and sub-contracts. Two members suggested that IAPSU draw on the recent experience of the Food and Agriculture Organization of the United Nations (FAO).

8. Turning to the current mandate and future of IAPSU, some members noted that the increased procurement from developing and underutilized major donor countries had become priorities. Members were agreed on the need to continue simplifying procurement procedures. A number of delegations favoured a strengthening of IAPSU staff to enable the Unit to respond efficiently to an increased work programme. Most delegations, however, noted that no specific staff increases had been proposed by the administration. Several delegations indicated their readiness to study favourably detailed proposals when considering the budget of the next biennium in 1989. In the meantime, the post of technical officer could be established on a permanent basis.
9. Three delegations cautioned against strengthening the Unit before efforts to streamline the Unit had been made. It was necessary to identify those tasks with a low priority. A few delegations queried whether there was any overlapping with work carried out by the UNDP Unit for Technical Co-operation among Developing Countries (TCDC) or ITC.

10. One delegate inquired whether IAPSU should be funded from the administrative budget. With respect to the place of the Unit within the United Nations system, surprise was expressed that the Administrative Committee on Co-ordination (ACC) should have been considered as one option to the present arrangement. There was support for the view that agencies would currently be unable to contribute to the funding of IAPSU. Delegations, however, felt that IAPSU should continue to seek reimbursement from the United Nations for the annual statistical data exercise.

Response by the Administration

11. In responding to the questions raised, the Assistant Administrator confirmed that efforts to seek reimbursement from the United Nations Department for International Economic Co-operation (DIEC) for the annual statistical review had been made. He felt, however, that it might be more realistic for the Governing Council, which was equally interested in the subject, to assume budgetary responsibility for this activity, and stated that IAPSU would not be in a position to improve on the reporting with its existing limited staff resources. With respect to increasing information on business opportunities, the Assistant Administrator explained that, on the basis of advance notice and minutes of Action Committee meetings, briefs were prepared by IAPSU and dispatched to focal points. Projects under $700,000 were, however, not included and co-operation with field offices was therefore essential.

12. With regard to the query about the overlapping of work, the Assistant Administrator pointed out that ITC and IAPSU co-operated on many matters and the IAPSU, on occasion, borrowed staff from the Centre. Close contacts existed with the TCDC Unit which operated mainly in areas where IAPSU had no mandate. As for priorities in the workplan, he informed the Committee that the lowest priorities were: air travel, an area where IAPSU's studies and advice resulted in significant financial savings for the United Nations system, but where the work had now been closed down; life-cycle costing,
which was of major interest to underutilized donor countries, but had yielded limited results; and the increased use of non-convertible currencies which in practice was difficult to achieve under the present Financial Rules and Regulations.

13. With regard to staffing, the situation could be considered adequate, though not satisfactory. The priority given to increasing procurement from developing and underutilized donor countries had increased the work-load substantially. The Assistant Administrator recalled that the United Nations system was the only buyer required to make strenuous efforts to find sellers. These efforts were hampered by lethargy in the private sector.

14. The Chief of IAPSU provided further details on recent initiatives taken by IAPSU. With regard to advance information on business opportunities, notice of projects approved by the Action Committee would be published in Development Forum. The June edition would also contain a full page on contract awards. Information from field offices was also being collected. With regard to procurement from underutilized donors, it was acknowledged that further efforts were needed to overcome the constraints identified. It was expected that the link with the TIPS programme would spur the exchange on procurement from underutilized major donors and the developing countries.

15. In reply to the question about staff resources, the Chief of IAPSU informed the Committee of efforts on a continuing basis to streamline the work of the Unit with the assistance of modern technology. A detailed report specifying staff requirements would be prepared, covering in particular, requirements for clerical support staff.

16. Delegates paid tribute to the Assistant Administrator, Mr. Paul Thyness, upon his retirement from UNDP.