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President: Mr. PIBULSONGGRAM (Thailand)

CONTENTS

Other funds and programmes (continued)

(f) United Nations Capital Development Fund (continued)

Programme implementation (continued)

(c) Procurement from developing and under-utilized donor countries

(b) Implementation of decisions adopted by the Governing Council at previous sessions (continued)

(ii) Support to drug abuse control programmes

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The meeting was called to order at 10.15 a.m.

OTHER FUNDS AND PROGRAMMES (continued)

(f) UNITED NATIONS CAPITAL DEVELOPMENT FUND (continued) (DP/1989/52)

1. Mr. EVERTS (Executive Secretary of the United Nations Capital Development Fund), replying to the question raised by the representative of Yugoslavia, said that the Fund both supplemented and complemented UNDP; it sought to adjust to the needs that arose in each case, with the result that its nature varied from one project to another.
2. Replying to the questions raised by the Nordic countries, Japan and Italy concerning the Fund's relationship with UNDP, he said that UNCDF obviously could not function without UNDP. In response to the comment by the Nordic countries, while it was true that the Fund was concerned mainly with rural areas, that did not mean that it overlooked urban needs. In particular, it had supported the construction of low-cost housing in co-operation with the United Nations Centre for Human Settlements (Habitat). In response to the question raised by the United States representative, he said that the Fund co-operated closely with Habitat. In fact, one of the 1988 evaluation activities had included an analysis of low-cost housing construction, while the 1989 evaluation activities, about which the Australian representative had asked, had analysed basic health services, water supply and participation mechanisms.
3. In response to the question by the United States representative, credit projects were based on the principles of recovery and continuity of the credit programme. Cheap loans had proved to help no one. He showed the representatives of France and Yugoslavia that there was no need to fear that the microfund would create complications, since it only provided small amounts of money to small projects.
4. Although, as the representative of the Netherlands had pointed out, the scale of the programme support project had increased, that was only natural given the increase in the volume of activities. There was a direct relationship between successful delivery and efficient evaluation.
5. As the representatives of the United States, Japan, the Netherlands and the Nordic countries had pointed out, disbursements were not up to the level of income. In 1989, however, they were expected to reach \$45 million, more than the amount of pledges. Japan had asked why disbursements had been less than expected in 1988: that could be attributed to the natural disasters that had occurred in 1988 and to the slow pace at which co-operating agencies functioned. In any case, as he had just indicated, the gap between disbursements and income would be eliminated in 1989.
6. Replying to a question by the representative of France, he said that the 171 viable projects already identified would take years to process, since UNCDF

(Mr. Everts)

could not exceed its annual programming level of approximately \$US 70 million. In order to avoid disappointing applicants, therefore, the Fund had decided to drastically reduce project identification.

7. Turning to resources, about which all delegations had asked questions or made comments, he was in favour of applying creative funding strategies but wished to point out that such an approach was problematic, especially for a small fund such as UNCDF. The easiest course, and the one the Fund preferred, was to keep core resources as the main source of funding. Co-financing took much longer to obtain; UNCDF did have recourse to such financing, but only on a supplementary basis. The financial target which the Fund had set itself was not ambitious, especially when compared with total financial flows between North and South, and he urged delegations to co-operate with the Fund in achieving that realistic goal. In any case, an appropriate ratio must be maintained: for instance, a ratio of 20 per cent core resources to 80 per cent co-financing resources would be unacceptable.

8. As a number of delegations had suggested, it was also possible that new countries might join the list of donors. A number of countries, both developed and developing, had already expressed their readiness to do so. If it was not possible to reach the projected level of \$100 million, the present operational level of \$75 million must at least be maintained. That would require increasing core resources by \$3 million a year, an increase equivalent to half the target set. A greater effort would have to be made to obtain co-financing to make up the difference.

9. The PRESIDENT said that the Council had completed its consideration of the item. If he heard no objection, he would take it that the Council wished to request the Drafting Group to prepare a draft decision on the subject.

10. It was so decided.

PROGRAMME IMPLEMENTATION (continued)

(c) PROCUREMENT FROM DEVELOPING AND UNDER-UTILIZED DONOR COUNTRIES (DP/1989/18)

11. Mr. AJELLO (Assistant Administrator and Director of the Bureau for Special Activities) said that the annual meeting of the Inter-Agency Procurement Working Group (IAPWG) had taken place in April 1989 at Stockholm and that the next meeting, the first to be held in a developing country, would take place at Tunis.

12. The question of increased procurement from developing and under-utilized major donor countries had been discussed at the IAPWG meeting and also, at the request of the UNDP Administrator, by the Joint Inspection Unit (JIU) and by two experts appointed by the Director-General for Development in International Economic Co-operation and the UNDP Administrator respectively. The JIU report (JIU/REP/89/8), prepared by Mr. Tunsala Kabongo, was available in English and French and the expert report was available in English.

(Mr. Ajello)

13. It did not seem necessary for the Council to establish further guidelines with regard to under-utilized donor countries. What was required was to identify potential suppliers, inform them of the commercial possibilities and make sure that they were invited to submit bids. That approach, which had been initiated with the full co-operation of organizations of the United Nations system, was already yielding positive results. Such procurement was a complex problem that was far from being solved, however: account had to be taken of the competitiveness of prices, suppliers' interest in obtaining contracts even for a small sales volume and the availability in the countries concerned of the goods and services necessary for projects.

14. In July 1989, the Inter-Agency Procurement Services Unit would begin operations at Copenhagen, in order to be closer to under-utilized major donor countries and improve its contacts with the business community in those countries, so as to facilitate that community's access to the United Nations system. That experiment would also make it possible to improve procurement in other under-utilized donor countries.

15. With regard to procurement from developing countries, clear decisions would be needed from the Council on various aspects of the matter. The guidelines were ambiguous, since they called for increased utilization of supply sources from developing countries and under-utilized major donor countries but emphasized the need for consistency with the principle of international competitive bidding and the procurement regulations of the United Nations, according to which equipment should be procured at the lowest possible cost consistent with the maintenance of adequate standards, as provided in Council decision 88/20.

16. If the Council wanted certain countries to receive preferential treatment, it should provide clear guidelines that eliminated any element of doubt or confusion. It was essential that the governing bodies of the various executing agencies should likewise provide similar or identical guidelines; specific objectives should be established and periodic progress reports should be submitted.

17. Clear statistical guidelines were also essential. The General Assembly had requested the organizations of the system to include in their reports data that would make it possible to distinguish between countries of origin and countries of procurement. Such data were essential for the compilation of reliable statistics and the evaluation of progress. The current procedures, which did not permit the collection of such data, should be changed.

18. Another problem was that of determining who was responsible for taking decisions on the diversification of procurement sources. Procurement officers approached relatively little-known suppliers only when they had received explicit instructions from the person responsible for such decisions. To that end, each organization should designate a responsible official at the operational level.

19. When the decision had been taken and the receiving country was prepared to accept goods or services from a new supplier, guarantees must be given that the

(Mr. Ajello)

products would meet specifications, that they would be delivered on time and that spare parts and satisfactory service would be available. If the product procured turned out to be unsatisfactory or if delivery delays jeopardized project execution, the recipient countries, with their scanty resources, should not be asked to assume responsibility and to pay the additional costs. A guarantee system would have to be set up financed from sources other than IPFs.

20. There were also important reservations regarding the Council's authorization of a 15 per cent price preferential for indigenous goods purchased from a developing country. Some recipient countries were reluctant to accept goods and services produced in other developing countries. The JIU report observed that, if the Governments of developing countries preferred goods and services produced in the industrialized countries there was no reason to make them pay a premium for goods they would rather not have (para. 42). Consequently, the 15 per cent premium had rarely been used. If that procurement modality was to work in practice, in the event that a recipient country was prepared to accept a product from another developing country, the 15 per cent premium should be charged not to its IPF, but to another source.

21. IAPSU hoped that the Council would give it the necessary guidance and means to tackle that complex problem.

22. Mr. SVENDSEN (Chief, Inter-Agency Procurement Services Unit) said that, in accordance with the requests made by the Council in its decisions 88/20 and 88/21, the Inter-Agency Procurement Services Unit (IAPSU) had prepared a comparative statistical report on agency procurement from developing countries for operational activities. Such procurements had totalled close to \$204 million in 1988, representing 22.27 per cent of the total volume of procurement and a 17.34 per cent increase over 1987. If trust funds, which were normally for special applications, were excluded, the ratio of procurement in developing countries worked out at 23.34 per cent, representing a small improvement over 1987.

23. According to the information received from UNDP field offices, in 1988 procurement for projects under government execution had amounted to \$33.8 million, of which \$10.6 million or 31.4 per cent had been from developing countries. No details could be provided regarding country of origin. It followed that Governments themselves had been more successful than United Nations agencies in procuring from developing countries. However, before drawing conclusions it was necessary to analyse both the type of project involved and the nature of the requirements, so as to determine the percentage of the total which would lend itself to procurement in developing countries.

24. The volume of procurement from under-utilized major donor countries (Canada, Denmark, Finland, the Netherlands, Norway and Sweden) had increased in 1988 from \$83.6 million to \$105.8 million, an improvement of almost 25 per cent over 1987.

25. Close to 50 per cent of total procurement was done by three agencies, i.e. UNICEF, FAO and the Office for Projects Services (OPS) of UNDP. The acts of those three entities would therefore have a major impact on any change in

(Mr. Svendsen)

procurement trends. There was an urgent need for some agencies to improve their methods for collecting and reporting statistics. To that end, and in order to standardize statistical reporting, the Inter-Agency Procurement Working Group had agreed that IAPSU should convene a special working group consisting of five agencies to work out solutions over the coming 12 months.

26. As mandated by the General Assembly, the procurement data in the annual report were to be confined to operational or project activities. However, in order to get a more complete picture, housekeeping and personnel services such as expenditure on experts and consultants, fellowships, training programmes and other local project costs should also be included. Many government trade offices had shown an interest in receiving from IAPSU comprehensive information on national return flows as a means of measuring their relative financial burden. That approach would entail recording the total flow of contracts from the United Nations system, for whatever purpose, and at the same time present a complete picture of return flows. At its latest meeting the Inter-Agency Procurement Working Group had urged IAPSU to co-ordinate all procurement statistics. If it were indeed given that mandate, there would be one single source of information and the consolidation of data for presentation to the various offices and legislative bodies would be greatly simplified.

27. IAPSU, which was preoccupied with the subject of increased procurement from developing countries, had a joint action programme with the International Trade Centre (ITC) and the Office for Projects Services (OPS). The basic premise was that procurement could not be redirected unless verified and detailed information on potential sources in developing countries was available. Although that approach had certain shortcomings, being supply-oriented rather than demand-oriented, it represented a valid point of departure.

28. IAPSU was using a multidimensional approach, starting with the collection and dissemination of information on potential suppliers of common user items in the countries in which the goal was to encourage procurement. It had already prepared catalogues of potential suppliers in India, Brazil, the German Democratic Republic, Algeria and Czechoslovakia. The draft catalogue for Indonesia had already been completed, and the one for Turkey was being compiled. Co-operation had been established with national focal points in an effort to identify potential suppliers in under-utilized major donor countries as well. As a result, IAPSU had prepared country-specific catalogues for Canada, Denmark, Norway, Sweden and Finland. A similar exercise was under consideration for the Netherlands. He wished to express his appreciation for the active participation of the Governments involved in the important exercise in question.

29. Moreover, the initial data on companies and products was being included in a personal computer data base that would be accessible to outsiders either by telephone dialling via a modem or by means of regularly-updated diskettes.

30. In collaboration with ITC and OPS, IAPSU was endeavouring to broaden the programme by: covering new countries (including Pakistan, Morocco, Zimbabwe, the

(Mr. Svendsen)

Philippines and Venezuela, all of which had expressed interest); including training facilities and consulting services in future surveys; and organizing training seminars, preferably so that they coincided with trade fairs in developing countries, in order to promote awareness of the market that the United Nations system represented. To avoid any overlapping, consultations had already started with the UNDP Special Unit for TCDC and with the Information Referral System (INRES) to establish whether joint activities were possible.

31. The usefulness of identifying national capabilities went beyond the needs of the United Nations system. IAPSU publications served as a basis for export drives to other developing countries, thus enhancing South-South co-operation. Participants in the 1989 meeting of the Inter-Agency Procurement Working Group had expressed their full support for IAPSU's work in that regard, stressing the need to update information. Many agencies were still experiencing difficulties in communicating with potential suppliers in developing countries, and IAPSU could assist them by acting as a go-between. The agencies had also accepted that some in-house measures were necessary, such as the introduction of guidelines for procurement staff, and they had therefore requested IAPSU to convene a sub-working group to develop a short-listing form for use by all agencies.

32. IAPSU's action would be much more effective if the demand side were brought into the programme. The JIU report called for the identification of high-dollar-volume common user items for procurement from developing countries, which would facilitate measurable increases over a short period of time. As a step in that direction, IAPSU recommended the stockpiling of a limited number of standard models of vehicles for immediate release to a number of countries on a regional basis. The resident representatives could forecast transportation needs in their respective country programmes, so that there would be a minimal risk of overstocking. The problem was how to finance advance procurement of motor vehicles, before the costs of individual vehicles could be charged to a specific project. IAPSU would welcome the Council's reactions in that connection.

33. Several agencies had expressed concern that they might be held accountable - and might be financially liable - if they chose an unknown supplier in a developing country who then failed to deliver the goods or whose goods were refused by the recipients. Agencies generally did not have contingency funding, and the question was whether a central fund should be established in order to cover such eventualities.

34. Some agencies had also asked whether a desirable percentage for developing-country procurement had been established, since it would be unrealistic to expect to increase such procurement to more than 25 per cent of total procurement volume. In the case of many agencies the maximum percentage was in fact likely to be considerably lower, given the nature of the items that the agencies were called upon to procure. JIU had recommended that each agency should set its own targets, and that the issue should not be considered in the abstract.

35. Another constant complaint concerned the apparent lack of advance information on business opportunities emanating from the United Nations system, in view of the

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(Mr. Svendsen)

fact that pressure for quick delivery of project equipment usually did not leave time for advertisement. The question was therefore whether IAPSU should adopt the procedures established by the lending institution, particularly the World Bank, which ensured that time for the advertisement of business opportunities was built into the project cycle.

36. Given the nature of the activities of the United Nations agencies, the average value of a contract was only about \$5,000, but more than 125,000 such contracts were awarded annually. Normally, only individual contracts in excess of \$100,000 were advertised owing to the extra work-load and costs associated with the process. By contrast, the lending institutions were financing single contracts in the multimillion-dollar range, which were more appropriate for advertisement globally. Nevertheless, the large number of smaller contracts offered by the United Nations system was also of great potential interest to the business community, particularly where smaller- and medium-sized firms were concerned. To overcome that problem, UNDP had decided to try another approach to providing advance information. The UNDP Action Committee regularly approved projects in excess of \$700,000; those containing business opportunities were facsimiled to IAPSU. Similarly, UNDP resident representatives had been requested to alert IAPSU to local project approvals below \$700,000. Such pipeline information on projects with anticipated requirements for goods and services was now routinely advertised in Development Business. IAPSU also included contract awards, project approvals and detailed business notices covering individual contracts in excess of \$100,000, thus covering the business cycle in the best possible way. A subscription system for the exchange of information had been set up under the Technological Information Pilot System (TIPS). TIPS data was also channelled to Development Business. However, only 10 developing countries were participating in TIPS and IAPSU would like to include other national information systems, where such systems existed.

37. Following the completion of the round of meetings with the business community in under-utilized major donor countries, held simultaneously with the meetings of the Inter-Agency Procurement Working Group, it had been decided that in future the Group should meet in developing countries, thus opening up a new avenue for increased procurement in developing countries. The following meeting would take place in Tunisia.

38. The Working Group had also considered the rules governing procurement within the United Nations system, an issue that was of importance to suppliers in all countries. In April 1989 the Group had adopted the revised text on common practices, which had been approved by all the organizations in the United Nations system and had now been incorporated into the general business guide.

39. IAPSU's staff was highly motivated and competent, but IAPSU was a very lean office. In order to expedite implementation of its mandate to increase procurement in developing countries and in order to carry out other mandated programmes of work, IAPSU needed adequate personnel resources. The Administrator of UNDP had therefore proposed that the staff of IAPSU should be increased by one Professional and three General Service staff members.

40. Mr. CHOWDHURY (Observer for Bangladesh) said that the report of the Administrator (DP/1989/18) contained useful information regarding an issue of common interest; however, it might have been even more useful if it had contained an overview of procurement statistics for the preceding three to four years, comparing figures for different countries and years.

41. While the efforts of IAPSU were laudable, the potential for procurement from developing countries was enormous, since purchases of project equipment and supplies accounted for a considerable portion of IPFs, and many of those necessities could now be obtained in those countries. If the keen interest which UNDP and the specialized agencies were taking in that matter was to produce results, common guidelines and principles needed to be developed.

42. Before deciding on future policies, the Council should be fully apprised of the outcome of the meeting of the Inter-Agency Procurement Working Group held in April 1989, which ought to be of substantive value.

43. As project implementation was directly dependent on inputs, it would be helpful if project documents contained full specifications of the equipment and supplies needed and a short list of potential suppliers from recipient and under-utilized donor countries in order to programme procurement in advance and to promote awareness among executing agencies and suppliers, both local and international. In addition, a standard set of modalities and guidelines for procurement should be adopted.

44. Local procurement must also be increased and the existing preferential price treatment should be properly applied in connection with procurement from developing countries.

45. Mr. PAYTON (Observer for New Zealand) noted that some major changes had taken place since the Governing Council had adopted decisions 88/20 and 88/21, in whose formulation his delegation had been actively involved.

46. While the procurement of goods and services was a legitimate activity of UNDP, there was some disagreement as to whether the specialized agencies should help to bear the cost. He did not consider it reasonable at present to expect the agencies to contribute to IAPSU activities.

47. He welcomed the report of the Joint Inspection Unit and said that, if theory was to be put into practice, there must be transparency in negotiations on procedures and policies.

48. With regard to country-specific catalogues, he wondered whether the trend continued to be positive and whether, in certain cases, like that of India, where it was taking so long to prepare a catalogue, the catalogues' effect was as beneficial as had been claimed. As catalogues were to be produced for the German Democratic Republic and Czechoslovakia, he wished to know whether those countries would be considered developing countries, which were given priority, or under-utilized donor countries.

(Mr. Payton, Observer, New Zealand)

49. He was delighted that the Inter-Agency Procurement Working Group would hold its next meeting in a developing country and that the meeting would adopt a regional focus.

50. The issue of under-utilized donor countries was an important one to UNDP, which must keep it in perspective. IAPSU had a sufficiently broad mandate to do the work assigned to it, and there was no need to make any operational changes, especially at a critical point in the multilateral trade negotiations being carried out under GATT. No attempt should be made to move away from the principle of competitive international bidding, which was vital to the integrity of the United Nations system. Likewise, with regard to the participation of developed countries, it was of fundamental importance that the principles of comparative advantage and an equitable environment for commercial activity should be upheld. In that connection, IAPSU must do everything it could to encourage and attract businessmen from those countries who truly wished to participate in the UNDP procurement process, as well as ensure that developing countries obtained the best products possible with the limited resources provided by the organization.

51. Concerning additional resources for IAPSU, his delegation was surprised that the relocation from Geneva to Copenhagen had resulted in higher costs, rather than the predicted savings. If the purpose had been to afford IAPSU more direct contact with beneficiaries, the Unit ought to have been relocated to a developing country, where operating costs would have been much lower.

52. Mr. ZAWELS (Argentina) said that document DP/1989/18 contained much valuable information which indicated that a great deal of progress had been achieved in the area of procurement from developing countries; nevertheless, much remained to be done. The organizations of the system must make greater efforts to increase procurement from developing countries, while the latter must improve their identification of products and make use of commercial networks. The additional measures identified by IAPSU were valuable in that regard.

53. His delegation found the contents of paragraph 22 of the report puzzling, since it believed that purchases should be made from developing countries not to meet specific quotas, but rather when the necessary goods were available and met the necessary criteria for quality and price.

54. Much "high-tech" equipment could be obtained in developing countries. If the technology involved was so sophisticated that equipment could not be found in a developing country, it was questionable whether such equipment ought to be obtained, bearing in mind the problems its operation and maintenance would entail.

55. On the subject of procurement, Argentina believed that under-utilized donor countries could not be considered on the same footing as developing countries, as that would result in a bilateralization of multilateral assistance. His delegation hoped that the relocation of IAPSU from Geneva to Copenhagen would not create any further imbalance in the way that issue was handled.

56. Mr. BREVIK (Norway), speaking on behalf of the four Nordic countries, said that those countries saw a need for a more equitable geographical distribution in the procurement activities of the United Nations system and welcomed the efforts by IAPSU to increase procurement from developing and under-utilized countries.

57. They supported the introduction of country-specific catalogues, the establishment of the TIPS network and the plans to develop direct access to an updated IAPSU data bank on potential suppliers. They also found the proposal set out in paragraph 21 of the report (DP/1989/18) interesting, particularly the suggestion that executing agencies should identify in project documents those inputs that could be procured in developing countries. They also supported the idea of incorporating in project documents a requirement that business opportunities must be advertised in Development Business.

58. They welcomed the efforts made by IAPSU to include more accurate and comprehensive data in the annual procurement statistics report. Those efforts would enhance the transparency of the procurement activities of the United Nations system, but their success would continue to depend on the full co-operation of participating agencies and Governments. Unfortunately, only country-specific annual statistics had been provided.

59. In the light of the work necessitated by the important initiatives being pursued, the Nordic countries found the proposal to increase the staffing of IAPSU justifiable.

60. Mr. MATSVAYI (Zimbabwe) said that his country was in the process of concluding a project proposal with IAPSU, from which it stood to gain a great deal. Zimbabwe had a well developed private and industrial base sector and could supply many of the items required for projects executed by UNDP and other agencies, such as high quality implements for the farming community, and equipment for the water and health sectors.

61. Increased procurement from developing countries would help to consolidate South-South co-operation, regional trade and the exchange of technologies and to strengthen national and regional enterprises. The IAPSU programme also strengthened Technical Co-operation among Developing Countries (TCDC) in such areas as the transfer of technology and the efficient and effective utilization of such mechanisms as the Technological Information Pilot System (TIPS), in which Zimbabwe participated.

62. Zimbabwe intended to produce its own catalogue of suppliers for UNDP and other donors. It already had bilateral commodity import programmes with Norway and Sweden which emphasized procurement from the region, for instance, from the Southern African Development Co-ordination Conference (SADCC) and Preferential Trade Area (PTA) groupings.

63. While it was conscious of the problems that existed with respect to, inter alia, the quality, cost and delivery time of goods, and had had mixed experiences with bilateral procurement programmes, Zimbabwe believed that every

(Mr. Matsvayi, Zimbabwe)

effort must be made to ensure that maximum benefits accrued from IAPSU's programme, particularly with regard to flexibility in policy guidelines and operational procedures.

64. The staff situation at IAPSU must be regularized so that IAPSU could pursue and enhance its important work for developing countries.

65. Mr. SOUTTER (Canada) said that the 1988 results were encouraging with respect to under-utilized major donor countries such as Canada but not with respect to the least developed countries. Efforts must continue to focus on increasing procurement from those countries. Canada welcomed many of the measures already taken by IAPSU and emphasized the importance of wider dissemination of procurement results, especially to developing countries.

66. Referring to IAPSU's move to Copenhagen, he said that information should be provided annually on attainment of the results that the move was supposed to achieve.

67. While IAPSU's efforts were vital, UNDP and other agencies perhaps expected too much of it. UNDP's internal processes must also be examined to ensure that broad access and transparency in procurement were retained. OPS, for example, could help developing countries and under-utilized major donor countries do more business with it.

68. As it had said in past years, Canada believed that the approach to procurement questions must encompass more than equipment. In the context of UNDP, experts, sub-contracts and training were more important than equipment. His delegation was therefore pleased that progress had been made in presenting more comprehensive statistics. His delegation supported IAPSU's role in gathering information of that kind, but wished to reiterate that the task should not be assigned to the Unit alone.

69. It was vital that the procurement process be competitive and transparent. It would therefore be useful if the Administrator provided information on how much of UNDP procurement took place through formal competitive bidding.

70. Ms. LEE (Australia) reiterated her country's support for IAPSU, which fulfilled very useful co-ordination and procurement functions, served as a central information agency, and helped Member States improve their access to the United Nations market. IAPSU could be of greater value if agencies made more effort to provide the information sought by it for distribution purposes.

71. Her delegation supported IAPSU in its consultations with individual agencies to achieve better and more timely responses. With the co-operation of United Nations agencies, IAPSU was well placed to make the procurement system more transparent.

72. As cost effectiveness was a vital aspect of all UNDP operations, her delegation would like the Council to be kept informed of the savings and gains in efficiency resulting from IAPSU's move to Copenhagen.

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73. Mr. CRUSE (France) said that IAPSU's move to Copenhagen had come as a surprise. The Geneva office should not be dismantled, as the reasons for maintaining agency headquarters at Geneva were still valid. His delegation had noted that the move had been made for economic reasons, but that conflicted with the request for additional staff. Another reason had now been given for the move: that it would serve to establish closer relations between IAPSU and some under-utilized donor countries. There had been nothing to prevent that laudable goal from being achieved from Geneva, however. France therefore joined the countries which had requested that information be provided to the Council in coming years on the results of the move. In future, decisions of that kind should be the subject of comprehensive information.

74. Like Technical Co-operation for Development, increased procurement from developing countries was a very positive response to the desire expressed by a number of delegations to focus indicative planning figures (IPFs) in the least developed countries. The problem must be considered from that standpoint.

75. France intended to study ways of supporting developing countries that would make them competitive and able to meet the technical requirements for supplying quality goods. It welcomed the fact that the next meeting of the Working Group would be held at Tunis.

76. Mr. CABEIRO QUINTANA (Cuba) said that he agreed with a number of the comments made by the representative of Argentina. With regard to Mr. Svendsen's statement that it was unrealistic to expect procurement from developing countries to exceed 25 per cent, he believed that an effort should be made to reach 50 per cent. It was all a matter of political will.

77. Developing countries might not have much high-tech equipment, but there were areas in which those countries did have the best equipment and that was not taken sufficiently into account. Cuba, for instance, had already developed the technology to detect acquired immunodeficiency syndrome (AIDS), which very few countries, developing or developed countries, probably had. The United Nations had yet to initiate consultations on the possibility of procuring such equipment in Cuba, however.

78. IAPSU had made considerable progress. However, the statistical report had not included the data that Cuba was interested in seeing, which had had to be provided to it subsequently. Although Mr. Svendsen said that procurement from developing countries had increased to 23 per cent, by all indications the main increase had been procurement from under-utilized major donor countries.

79. In any event Cuba continued to support IAPSU and agreed with the proposal to increase its staff.

80. Mr. GOPINATHAN (India) commended the detailed statistical information provided by IAPSU. The increase in procurement from developing countries had been minimal. He was concerned that some of the main executing agencies, particularly OPS, FAO, WHO and UNIDO, had reduced, rather than increased, their procurement from those

(Mr. Gopinathan, India)

countries. The Governing Council should exercise some control over OPS in particular, giving it a specific mandate to increase its procurement from developing countries. DTCD and UNICEF, on the other hand, were to be commended for having increased their procurement from developing countries in 1988.

81. Although the reason given for moving IAPSU to Copenhagen was to increase procurement from developing countries and under-utilized major donor countries, the information provided showed that procurement from the latter group of countries had already increased. The move must not interfere with the trend towards increased procurement from developing countries.

82. His country welcomed the progress made by IAPSU in the dissemination of information and supported the proposal that it should participate in trade fairs in developing countries in order to make contact with people directly involved in procurement.

83. He had some reservations with regard to the data submitted. It was difficult to obtain precise, reliable and timely statistics from many agencies, although resolutions of the General Assembly and the Economic and Social Council had drawn attention to the need for precise data in the context of the forthcoming triennial policy review of operational activities for development. He hoped that, for the 1989 statistical report, the problems which had arisen between IAPSU and various agencies with regard to the submission of data, particularly data on country of origin and country of procurement, had been overcome. He welcomed the inclusion in future statistical reports of information on experts, sub-contracting and training.

84. It was surprising that difficulties were arising in connection with preferential pricing, when the General Assembly and the Economic and Social Council had also set up arrangements in that area.

85. The previous year, the Council had requested the Administrator to propose measures for increasing procurement from developing countries. If those proposals had yet to be submitted, that might be because the consultant study was pending. Once the study was submitted, India was confident that the Administrator would make proposals based on the study's recommendations as soon as possible.

86. Lastly, India supported the Administrator's proposal to increase IAPSU staffing, in view of the satisfactory results achieved.

87. Mr. POPESCU (Romania) said that the report and the statistics gave an indication of the action taken and planned to increase procurement from developing and developed countries. The increase of approximately \$14.5 million in the value of equipment ordered from developing countries in 1988, as compared with 1987, was insufficient. That figure still represented only 23 per cent of total IAPSU procurement. His country welcomed the measures taken to increase procurement from

(Mr. Popescu, Romania)

developing countries and hoped that all agencies had been sensitized to the need for such an increase, as mentioned in paragraph 20 of document DP/1989/18. No one expected spectacular changes from one year to the next, but in order to speed up the process, something more than a 1 per cent increase per year was needed. Otherwise, procurement from developing countries would reach 50 per cent of total IAPSU procurement only by the year 2015. No doubt recipient countries themselves must play an important and active role in that respect.

88. He agreed with the additional steps outlined in paragraph 21, which should be applied on a neutral basis, regardless of the socio-economic system of supplier countries.

89. He hoped that moving IAPSU to Copenhagen would help to increase the utilization of sources of supply in developing countries. However, it was discouraging to read in issue No. 10 of 1989 of the UNDP publication Update that the move would make business transactions in the region easier. He hoped that had not been the real reason for transferring IAPSU to Copenhagen and that increased procurement from some developed countries would not be detrimental to the developing countries or affect their percentage share in the total value of goods and services procurement.

90. His country was opposed to the increase in IAPSU staffing, but would have no objections if the relevant costs were defrayed by the host country, which was one of the major donor countries. It also joined those delegations which had asked the Secretariat to keep them informed of the outcome of the IAPSU move.

91. Mr. LADJOUZI (Algeria) welcomed the decision to have the Inter-Agency Procurement Working Group (IAPWG) meet at Tunis and expressed the hope that that would lend impetus to the process of procurement from the Maghreb countries, which had begun with Algeria. The Maghreb countries would welcome goods from other developing countries. By procuring goods and services from developing countries, IAPSU could play an important role in promoting South-South co-operation and in technical co-operation among developing countries. As the representative of France had pointed out, increased purchases from developing countries, particularly middle-income countries, would benefit those countries.

92. He was grateful that the project for the preparation of a catalogue on suppliers in Algeria had been approved; the project was now about to be executed. Algerian suppliers would try to be as competitive as possible and to conform to the procurement standards and criteria of United Nations agencies. However, his country felt that preferential treatment should be given to developing countries during the initial phase. Accordingly, he shared the reservations of the representative of India concerning relations in practice with the specialized agencies.

93. Algeria agreed with the increase in IAPSU staffing. Moving IAPSU to Copenhagen was a positive step which fell within the scope of the Administrator's authority and he hoped that the move would soon begin to produce the desired result, namely, increased procurement from developing countries.

94. Mrs. EKONG (Observer for Nigeria) said that in setting up IAPSU, the United Nations system had broken new ground in its efforts to improve the development process in many countries and that increased procurement of common user items from developing countries would encourage growth in the relevant sectors in those countries.

95. Her delegation's one area of concern was data compilation. Most developing countries lacked adequate expertise in that area and, without accurate statistical data on sources of supply, it would be difficult for them to benefit from that laudable programme. It would be useful if UNDP could provide more technical assistance in that area.

96. The developing countries also needed more information on the activities and functions of IAPSU in order to be aware of the possibilities of supplying goods and services to the United Nations system and should be given preferential treatment in order to stand a chance in a highly competitive field.

97. With regard to IAPSU's move to Copenhagen, her country would have preferred to see it moved to a developing country, so as to enhance the programme's focus in those countries. Lastly, her delegation supported the strengthening of IAPSU staffing (DP/1989/18, paras. 33-35).

98. Mr. GRAHAM (United States of America) agreed that all countries should have access to the procurement process; at the same time, the common standards of quality must be maintained. The decision to increase the Unit's staff should be made by the Budgetary and Finance Committee. Lastly, he supported the proposal of the delegations of France, Romania and Australia, among others, that a study should be prepared on the economic advantages of relocating the Unit to Copenhagen.

99. Mr. ROHNER (Switzerland) said that his delegation continued to support UNDP in its efforts to promote procurement from developing countries, despite the difficulties involved, and favoured the measures proposed by the Unit in that connection. It was annoying that the relocation of the Unit to Copenhagen had taken place without previous consultation. Furthermore, the arguments advanced to justify the move were not convincing. His delegation would examine in detail in the Budgetary and Finance Committee the proposals for strengthening the Unit.

100. Mr. LEENSTRA (Netherlands) expressed his satisfaction with the improvement in IAPSU operations. The statistical reports were particularly useful as a basis for future policy decisions. His delegation urged IAPSU to persevere in its difficult task of attempting to satisfy the aspirations of developing countries and of those which considered themselves under-utilized with regard to procurement; it was regrettable that other United Nations bodies were not as enthusiastic about co-operating in that area. To improve that situation, it was essential to support the meetings of the Working Group and to keep in mind the results of the study commissioned by the Director-General for Development and International Economic Co-operation. He trusted that the question of procurement from developing countries would be included in the annual review of operational activities.

(Mr. Leenstra, Netherlands)

101. He supported the move of the Unit to Copenhagen, which was in his country's interest, but was not completely convinced of the necessity of that move. In particular, the argument that in Copenhagen a much greater number of procurement sources could be contacted did not appear very convincing.

102. He agreed with the suggestion that recipient countries should play an active role in promoting procurement from developing countries (DP/1989/18, para. 20), but requested the Administration to propose practical ways of attaining that objective. While the steps enumerated in paragraph 21 were constructive, their effectiveness would depend on the way in which they were applied and the importance granted to them. The matter of procurement could also be emphasized by including it explicitly in the evaluation of projects and programmes and in the tripartite project reviews in order to ascertain the capacity of executing agencies and project managers with respect to procurement.

103. Paragraph 24 of the report contained a minor error, since the publication of the catalogue for the Netherlands had already reached an advanced stage. The publication of catalogues of potential suppliers was an important step forward.

104. Mr. TUNSALA KABONGO (Joint Inspection Unit) said that the report of the Joint Inspection Unit (JIU/REP/89/8), which was available to delegations in English and French, recognized the efforts of IAPSU to find new suppliers in developing countries, but also raised two questions, namely, the extent to which it was appropriate for IAPSU to continue that work and whether the results obtained should be evaluated at the current stage in order to determine how best to make use of them. In his opinion, it was the responsibility of the competent agencies of UNDP - the Governing Council and IAPSU itself - to study those questions which involved the political will of all the organizations of the United Nations system at the highest level.

105. All of the organizations participating in technical co-operation activities should give extremely precise instructions to their procurement officers, both at Headquarters and in the field; future trends in that area would undoubtedly reflect the implementation of such instructions. Similarly, despite its importance, the inflexibility of the procurement regulations and procedures applied in the United Nations system usually escaped notice. In General Assembly resolution 32/182 of 19 December 1977, it had been suggested that the existing regulations and practices for procuring equipment and supplies should be changed in order to utilize fully the capacity of developing countries.

106. Another problem was the serious difficulties experienced by the organizations of the United Nations system and the recipients themselves because of the application of the 15 per cent price preferential for procurement from developing countries. Those difficulties were partly related to the inflexibility of the existing financial regulations. It would be appropriate for the Council to make a thorough study of that question. The recipient countries had often refused to charge the 15 per cent to their already modest IPFs, which would thus have been reduced even further. UNDP had to seek realistic solutions which really helped the

(Mr. Tunsala Kabongo)

recipient countries. Some solutions had been proposed in the JIU report, but the Council could surely find others.

107. Meanwhile, the organizations of the United Nations system had been requested to increase procurement in under-utilized major donor countries and in developing countries, without receiving specific guidelines and without any definition of short- or long-term objectives. It was time to provide guidelines and to fix objectives, bearing in mind the operational activities of each agency and its particular characteristics.

108. Lastly, in order to solve the problems involved in preparing statistics in compliance with General Assembly resolution 39/220, which clearly was of concern to all delegations, the JIU report proposed that for each anticipated procurement, the agency responsible for carrying it out should request the supplier to indicate the origin of the equipment to be supplied. In that way, IAPSU could more easily accomplish its task of preparing statistics for the members of the Governing Council.

109. Mr. SVENDSEN (Chief, Inter-Agency Procurement Services Unit), referring to the proposed staff increase, explained that the two temporary IAPSU posts were connected with procurement from developing countries and it had therefore been requested that they should be regularized. In addition, IAPSU had been requested to organize training programmes and more staff would be needed to do that additional work. If the staff increase was not approved, the Unit would have to concentrate on procurement and would only be able to offer the training services possible within its current capacity.

110. It certainly did not seem logical to claim that IAPSU's move to Copenhagen was an economy measure and then request an immediate increase in staff, which would result in significant expenditure; yet it was more economical to finance two General Service posts in Copenhagen than to continue paying a subvention to the UNDP Geneva Office and to the United Nations Office at Geneva for accounting and administrative services which, in future, would be provided by IAPSU itself. As indicated in the budget estimates for the next biennium, there were savings in relation to current total expenditures. The only additional cost was represented by the Professional post and the General Service post requested to handle new responsibilities. The move to Copenhagen would therefore result in cost reductions, since, relative to Geneva, the post adjustment was less, General Service salaries were 30 per cent lower and rents were 18 per cent lower.

111. The preparation of statistical reports had always been a very difficult task; consequently, a sub-working group composed of the agencies had been established to improve the quality of reports and speed up their preparation. The deadline for the submission of the IAPSU report was the end of March; unfortunately, in 1989 it had been impossible to obtain all the necessary data on government execution. He assured the Council that in 1990 the reports would be ready well in advance of the session.

(Mr. Svendsen)

112. As for the percentages for procurement of goods from developing countries, the figure of 25 per cent had been mentioned only because it was the figure set by the Working Group in Stockholm, but he agreed that it was too low. It would be more realistic to set a target of 50 per cent for procurement from developing countries, although it would naturally take longer to reach that target. He was personally convinced that, in theory, possibly as much as 90 per cent of procurement could take place in developing countries, in which case the major under-utilized donor countries would surely be willing to allow their funds to be spent directly in developing countries, as procurement would no longer take place in the industrialized countries as it had in the past.

113. The relocation of IAPSU to Copenhagen was in no way intended to reduce contacts with developing countries. It should be noted that, owing to progress in the communications field, major meetings were held only once a year, while informal consultations always took place by telex and telephone. For that reason, he did not believe that the move had reduced contact.

114. Mr. AJELLO (Assistant Administrator and Director of the Bureau for Special Activities), referring to the remark by the representative of New Zealand concerning guidelines, said that they were needed for developing countries but not for major under-utilized donor countries. The proposals made by JIU and the consultants appointed by the Director-General for Development and International Economic Co-operation and the UNDP Administrator must be studied to determine what initiatives might be taken in that regard.

115. The reason for the relocation of IAPSU had not been to benefit the developing countries, but to bring the Unit closer to a group of major under-utilized donor countries and to save money.

116. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to request the Drafting Group to prepare a draft decision on the topic of procurement from developing and under-utilized donor countries and to ask the Budgetary and Finance Committee to bear in mind the views expressed during the debate when it considered proposals on the strengthening of IAPSU.

117. It was so decided.

(b) IMPLEMENTATION OF DECISIONS ADOPTED BY THE GOVERNING COUNCIL AT PREVIOUS SESSIONS (continued)

(ii) SUPPORT TO DRUG ABUSE CONTROL PROGRAMMES (DP/1989/19)

118. Mr. KING (Deputy Assistant Administrator and Deputy Director of the Bureau for Programme Policy and Evaluation) said that the relationship between UNDP and the United Nations Fund for Drug Abuse Control (UNFDAC) was a long-standing one that had grown over the years (DP/1989/19, paras. 4-9). The first agreement had been signed in 1978 and the most recent, concluded in May 1987, had entered into force on 1 January 1988. Under the current arrangement, UNDP involvement in UNFDAC

(Mr. King)

projects was consistent with the Programme's rules and regulations; the arrangement governed the role of UNDP in projects sponsored by the Fund and executed by the Office for Projects Services or individual Governments, as well as the compensation of UNDP for services provided to UNFDAC. The arrangement spelling out the respective responsibilities of UNDP resident representatives and UNFDAC field advisers was working satisfactorily.

119. As the report (section III) indicated, UNDP was involved in drug abuse control activities in all four geographic regions. The Programme's presence was considerable in Latin America and the Caribbean, both in terms of the amount of money spent and the number of countries in which UNDP operated; the Programme was also very active in Asia and the Pacific. In the Arab States, activities were still in a very early phase, and UNDP involvement in Africa was relatively modest. However, it seemed likely that the Programme would increase its support for drug abuse control activities over time.

120. Mr. CHOWDHURY (Observer for Bangladesh) said that the problem of drug abuse indubitably transcended national borders and had regional and global connotations. The involvement of UNDP in that area was thus timely and appropriate. He endorsed the co-operation between UNDP and UNFDAC and expressed the hope that that co-operation would continue to grow.

121. His country was fully aware of the danger that drug abuse posed to all countries. At the national level, Bangladesh had launched a series of projects and programmes jointly with UNDP and UNFDAC. However, the capacity of developing countries was limited, and they needed a great deal of support to be able to train staff for those projects and programmes.

122. Mrs. BERNAL (Colombia) said that the joint activities of UNDP and UNFDAC, as well as the collaboration in general between agencies, funds and organizations of the United Nations system and the countries most seriously affected by the various phases of the drug scourge (production, processing, marketing, transport and consumption) were crucial to the success of any national or regional efforts in that area. As noted in the report (DP/1989/19), the wide range of projects being implemented in Colombia were part of the Colombian Government's overall policy and strategy of attacking the various phases of the problem simultaneously. As a result, activities had been initiated to promote crop substitution, set up preventive education programmes and support Government efforts to combat illicit trafficking. The importance of UNDP support for those programmes and activities in Colombia, one of the countries which bore the brunt of the drug problem, must be emphasized.

123. The Colombian Government would continue to co-operate with the organizations of the United Nations system to broaden the scope of its activities and programmes in that field and was confident that it could count on the international community's firm commitment as it endeavoured to reverse the growing trend towards drug consumption.

The meeting rose at 1.05 p.m.