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SUPPORT

PROGRAMME IMPLEMENTATION

Procurement from developing and underutilized donor countries

Report of the Administrator

SUMMARY

The present report is submitted in response to Governing Council decision 89/29 of 30 June 1989 and describes actions taken by the United Nations system to increase procurement from developing and underutilized major donor countries; to grant preferential treatment to suppliers from developing countries; to improve dissemination of advance information on business opportunities; and to provide improved statistical information on procurement and further actions that are planned. Procurement statistics for 1989 will be available after this report is written; consequently, the procurement data will be presented to the Council in a separate paper.

I. INCREASED PROCUREMENT FROM DEVELOPING AND UNDERUTILIZED
MAJOR DONOR COUNTRIES

A. General

1. In its resolution 44/211 of 22 December 1989 on the comprehensive triennial policy review of operational activities for development of the United Nations system, the General Assembly took the following decisions on the issues of procurement from developing and underutilized major donor countries:

"[2] Stresses the need to attach high priority to increasing substantially procurement from developing countries in order to promote collective self-reliance, while paying due respect to the principles of international competitive bidding, and, in this regard, emphasizes the importance for all parts of the United Nations system to set specific goals for increasing procurement from developing countries.

[22] Acknowledges the commitment to procurement from underutilized major donor countries and recommends the implementation of the relevant proposals of the Director-General in accordance with the principles of international competitive bidding."

2. The Administrator wrote to the heads of all the agencies emphasizing the need to improve procurement from developing and underutilized donor countries. The agencies were requested to provide feedback on the steps taken by them in response to General Assembly resolution 44/211 and Governing Council decision 89/29.

3. The Administrator also wrote to all the Resident Representatives requesting an all-out effort to increase procurement from developing countries, pointing to the following actions which have been supported by the Governing Council:

(a) Project documents should stipulate that, wherever possible, the executing agency be obliged to identify inputs which can be procured in developing countries;

(b) Project documents should also stipulate that project personnel (international and national) ensure that, to the extent possible, maximum inputs are provided from developing countries, due attention being paid to quality and availability of maintenance facilities, etc.;

(c) Project experts to be adequately briefed by the executing agencies on the need to increase procurement from developing countries;

(d) Efforts by UNDP and the executing agencies to be enhanced, through the sensitization of field offices and field personnel, to identify local sources for programme needs;

(e) When considering international suppliers, it should be investigated with them whether their goods and services can be provided by their subsidiaries in developing countries or other local companies with which they co-operate;

(f) When the purchase of indigenous goods is not practical, consideration should be given to the local procurement of imported goods, weighing advantages such as shortened lines of communication, reduction of paper work, reduced risk of damage, faster delivery, possibility of on-site inspection and, most important, availability of local service facilities.

4. Emphasis was also placed on providing the Inter-Agency Procurement Services Office (IAPSO) with complete and comprehensive procurement data on government-executed projects and advance information on business opportunities. The Resident Representatives were requested to advise IAPSO of the steps taken and their results, and to request recipient Governments to encourage procurement of goods and services locally and from other developing countries.

5. IAPSO moved its office from Geneva to Copenhagen effective 1 July 1989, the amended acronym IAPSO reflecting the change from "unit" to "office". The Administrator will report orally on the impact of this relocation to the Governing Council at its thirty-seventh session.

6. The Inter-Agency Procurement Working Group (IAPWG) is scheduled to hold its annual meeting in Tunisia from 7-11 May. For the first time, this event will take place in a developing country, and reflects the eagerness of the United Nations system to address the geographical imbalance in procurement by actively pursuing sources in developing countries themselves. As usual, the internal closed meeting will be followed by two days of business contacts with local and regional potential sources of goods and services. The subject of procurement will be discussed by IAPWG and the outcome will be included in the oral report to the Governing Council.

7. To assist IAPSO with the preparation of country-specific catalogues, the various organizations of the United Nations system provided details of their past suppliers in these countries. The catalogues of potential suppliers in specific countries in which studies were completed have been distributed to the field offices, the United Nations agencies, non-governmental organizations (NGOs) and bilateral aid organizations for their use.

B. Increased procurement from developing countries

8. During its forty-fourth session, the General Assembly again stressed the need to attach high priority to increasing substantially procurement from developing countries in order to promote collective self-reliance, and in this regard emphasized the importance for all parts of the United Nations system to set specific goals for increasing procurement from developing countries.

9. The heads of various United Nations agencies have reported that the following actions have been taken:

(a) In general, specific instructions have been given to their procurement staff, field experts, consultants and regional offices, to implement the steps supported by the Governing Council at its thirty-sixth session;

(b) Increased efforts are being made to ensure that comprehensive statistical data on procurement will be provided to IAPSO;

(c) To achieve more transparency in the procurement activities and attract additional potential supply sources in developing countries, the agencies will make further efforts to provide advance information on business opportunities for wide circulation;

(d) The terms of reference of consultants/project personnel will emphasize the need to review opportunities for project inputs from developing countries both during project formulation and implementation;

(e) Increased authority will be delegated to field offices and project personnel to procure locally goods and services funded under the projects;

(f) Procurement statistics should also incorporate data from NGOs which are funded by the United Nations organizations;

(g) A shortlisting format will be adopted for the systematic inclusion of suppliers from developing and underutilized donor countries;

(h) In respect of contracts for professional services, firms from developed countries invited to bid will be encouraged to enter into association with firms from developing countries; should the evaluation of bids show that two or more bidders have submitted equally good offers, preference will be given to the bidder who proposes to be associated with a firm from a developing country.

10. Judging from the replies received, there is no doubt that all agencies have been sensitized to the need for increased procurement from developing countries. However, significant changes in overall procurement trends may take time to emerge. The initiatives described in this report are part of a continuing process which also calls for an active role by the recipient countries themselves along with efforts of the United Nations system.

11. It has been recognized by the United Nations agencies both at headquarters and in the field that an important prerequisite for effectively increasing procurement from developing countries is the availability of verified information on potential sources of goods and services. It will be recalled that the first pilot demonstration project to produce country-specific catalogues listing potential sources of the types of goods and services normally procured by the United Nations system was undertaken by IAPSO in February 1987 in Brazil. An indicative planning figure (IPF)-funded project in India resulted in a comprehensive catalogue on Indian supply sources. A large number of Indian potential suppliers report direct inquiries and actual orders, which is encouraging. In relation to the Brazilian catalogue, it has not been possible to evaluate its impact fully, because of the very limited number of items included.

12. During 1989, the country-specific catalogues of Algeria and Indonesia were completed by IAPSO under joint International Trade Centre (ITC)- and OPS-executed projects and were disseminated to various procurement officers in the United Nations system, NGOs and project personnel in bilateral aid organizations.

13. During the reporting period, missions under projects executed jointly by ITC/IAPSO were organized for the identification of potential suppliers and the preparation of country-specific catalogues for Morocco, Pakistan and Zimbabwe.

14. In Tunisia, a government-executed project under the guidance of IAPSO has been undertaken for identifying potential suppliers of goods, services and training facilities. It also includes the setting up of a local data base so as to provide IAPSO with updated data for dissemination.

15. Projects in the Philippines, Bahrain, Kenya, Cyprus and India (phase II) are at various stages of discussion and approval. The Council will be informed orally of any development taking place between the preparation of this report and its discussion in the Council.

16. In addition to the projects referred to above, project proposals have been sent by IAPSO to a number of other developing countries and replies have, in general, been encouraging. In all future project proposals, the scope will be widened to cover services and training facilities.

17. As part of these project activities, major emphasis is being placed on human resource development by training national professionals to conduct the above activities and to sensitize the local business community towards the market potential of the United Nations system.

18. As part of projects to increase procurement from developing countries, data bases are being set up in the respective developing countries which will be linked with the IAPSO data base. When fully operational, these will provide updated information on a continuous basis, in most cases via periodic diskettes. During a special IAPWG sub-working group meeting in January, agency participants endorsed the concept of a central data base. IAPSO is actively developing this data base and in future will incorporate data on goods, services and training facilities in the developing countries.

19. Manufacturers of high-cost items in developing countries, such as vehicles and computers, have been identified for incorporation into the IAPSO common-user catalogues on vehicles and office equipment respectively. At the initiative of IAPSO, one four-wheel drive vehicle from a developing country has been procured by a private organization for a test programme in East Africa. If the vehicle proves reliable and suitable for this area, it will be recommended to aid organizations as a viable alternative to traditional vehicles of this category.

20. As recommended by the Council last year, IAPSO has organized business seminars in India and Turkey to coincide with local trade fairs. In the case of India, there was active participation from the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), the International Labour Organisation (ILO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), in addition to UNDP. The seminar provided the business community with the opportunity to display their products to various procurement officers from the United Nations system.

21. The proximity of IAPSO to the UNICEF supply division has helped in impressing on the latter's procurement officers the need to use potential suppliers listed in the IAPSO country catalogues. Encouragingly, procurement by UNICEF from developing countries during 1989 increased by 18 per cent over 1988.

22. Feedback from the Resident Representatives is also encouraging. In general, the field offices have welcomed the IAPSO initiatives for compiling compendia of potential suppliers from developing countries. The steps taken by the Resident Representatives along with the results, their suggestions and constraints are as follows:

(a) Copies of country-specific catalogues have been given to chief technical advisors and national project co-ordinators for use in identifying potential supply sources;

(b) Actions have been taken to provide to IAPSO timely and comprehensive statistical data and advance information on business opportunities;

(c) Many of the field offices have pursued with Governments the benefits of undertaking national projects under IPF funding for identifying potential suppliers and for setting up data bases;

(d) There is a need to reduce the variety of brands of similar products procured by various agencies, thus making it easier for Governments to maintain the equipment at the end of the technical assistance phase; hence the importance of taking into account the availability of after-sales service facilities in the country when deciding on procurement;

(e) To reduce delays in procurement, project managers should be authorized to place purchase orders for equipment which can be purchased locally;

(f) To improve the effectiveness of the projects, one UNDP field office is studying the feasibility of starting a logistic service for procurement and prestocking of essential items and intends to make use of the IAPSO services for standard and/or bulk purchases.

23. To create more transparency of the procurement activities of the United Nations system, IAPSO has started publication of a new bulletin entitled "Procurement Update", which is distributed on a monthly basis to all permanent missions, focal points in developing countries and the Technological Information Pilot System (TIPS). The publication covers project approvals, contract awards, procurement notices, etc. It has generated great interest and on an average IAPSO receives 8-10 letters daily from various countries seeking guidance and assistance in connection with the data provided.

24. Based on the feedback from the agencies and the UNDP Resident Representatives, in addition to earlier reports by the Joint Inspection Unit (JIU) and the joint United Nations/UNDP consultant mission, a number of issues have been identified for further consideration:

(a) Wider dissemination of data on demand. A high percentage of bulk and relief items are procured every year on a recurrent basis. The specifications and likely requirements for these items for the year ahead should be given wider dissemination by IAPSO with the active participation of the United Nations agencies concerned; this is being pursued by IAPSO;

(b) Participation in trade fairs. Trade fairs provide excellent opportunities to identify potential suppliers and to collect useful information on the availability of commodities. However, a major constraint exists in the lack of funds to attend such seminars. Lack of funds is a known constraint but agencies might still be encouraged to give consideration to providing travel and daily subsistence allowance to their procurement staff for such attendance. Similar mission travel could be extended to national personnel, against the related project-budget for activities under government execution;

(c) Delegation to the country level. Increased delegation at the country level to project staff for purchasing the project inputs should be encouraged;

(d) Strengthening of focal points. One of the major problems faced by many agencies is the lack of response from potential suppliers in developing countries. To remedy this constraint, a local contact person should be designated by the Governments to handle such queries from various agencies and also to help in updating the central data base maintained by IAPSO;

(e) Regional projects. To encourage the use of goods and services from one developing country by another, as needed, regional projects that would identify the potential suppliers of goods and services along with the organization of seminars would appear to be a feasible approach. On an experimental basis, a joint ITC/IAPSO project is under consideration.

C. Procurement from underutilized major donor countries

25. Donor countries such as Canada, Denmark, Finland, the Netherlands, Norway and Sweden have been recognized as underutilized in the procurement of goods and services for UNDP-funded projects.

26. In its resolution 44/211, the General Assembly acknowledged the commitment to procurement from underutilized major donor countries and recommended the implementation of the proposals of the Director-General in accordance with the principles of international competitive bidding, contained in paragraph 50 of document A/44/324/Add.3, as follows:

(a) Relatively small orders, below bid requirement limits, could be placed directly with selected firms in underutilized donor countries, for standard items and some specialized items;

(b) Underutilized donors could also offer technical assistance in areas of particular expertise, where special skills and capabilities are required. This could serve to enhance procurement of services from these sources;

(c) Tied supplies from these donors often place a large administrative and logistics burden on recipient countries and should be considered only after a full joint review of all other alternatives and possible negative consequences.

27. With the move to Copenhagen, IAPSO can play an increased role in finding supply sources on behalf of agencies in the underutilized major donor countries.
28. With the assistance of national focal points, IAPSO catalogues on potential suppliers in the Netherlands covering 418 potential suppliers of goods and services was published in December 1989 and was widely circulated to United Nations agencies, NGOs and field offices.
29. Similarly, activities were initiated, with the assistance of national focal points, to update the IAPSO catalogues on potential suppliers in Denmark, Norway, Finland, Canada and Sweden; these are expected to be republished by July/August this year.
30. An institutional mechanism is being worked out within these focal points to provide updated information on a continuous basis, thereby ensuring current and reliable information in the IAPSO data base.
31. To create an awareness among the business community about the potential and nature of items procured by the United Nations system, business seminars were organized by IAPSO in Finland, Denmark and Sweden, with participation from United Nations agencies.
32. Other business seminars were attended by IAPSO in Canada, the United Kingdom and France.
33. A copy of the IAPSO monthly bulletin "Procurement Update" is being sent to all national focal points, which in turn, are printing the contents in their own newsletters for wider national circulation.

D. Short-listing of potential suppliers

34. During the IAPWG sub-working group meeting in January, a common short-listing form to ensure that companies in both developing and underutilized donor countries were always represented, was agreed upon in principle and IAPSO is presenting a final proposal to the forthcoming IAPWG meeting for general adoption.

II. PREFERENTIAL TREATMENT TO SUPPLIERS FROM DEVELOPING COUNTRIES

35. Several agencies have questioned the usefulness of the 15 per cent price preference to goods supplied from developing countries, although some claim that they have adopted and actually used this in their procurement operations. During the sub-working group meeting in January 1990, the members concluded that preferential price treatment has not worked as intended since there is no real incentive for the recipient country to apply this measure. It is understandable

that Governments may be reluctant to reduce their IPF allocations in this manner in situations of well recognized resource constraints. However, there is mutual advantage to all recipient countries under this price preference arrangement, which should therefore be allowed to continue.

III. DISSEMINATION OF ADVANCE INFORMATION ON BUSINESS OPPORTUNITIES

36. IAPSO has encouraged all agencies to advertise their business opportunities in line with increasing demands by Governments for enhanced transparency of the procurement process. During the last IAPWG meeting, all participating agencies were encouraged to advertise all business opportunities in excess of \$100,000 in Development Business, irrespective of the source of funding. However, the results have been disappointing. During 1989, there were only 60 such procurement notices, out of which 4 were for government-executed projects and 40 from UNDP/OPS. This total represents only a small percentage of contracts awarded.

37. To achieve better transparency, advance notices on business opportunities should form an integral part of any procurement operation and should be made a requirement so as to attract a larger number of interested firms to bid, notably in the target countries. The head of an agency proposed to reduce the level at which to issue advance notices to \$50,000; this will be taken up by IAPSO at the 15th meeting of IAPWG in Tunis.

38. As before, project approvals by the Action Committee at headquarters (i.e., for projects above \$700,000) are regularly being advertised in Development Business, well in advance of any procurement decision. To give a complete picture, Resident Representatives have been requested to ensure that they provide details of projects approved locally, i.e., for projects below \$700,000.

39. In addition, several agencies have agreed to provide IAPSO with details of contract awards which represent useful information to the business community. Such information is routinely included in Development Business and "Procurement Update" as well.

IV. PROCUREMENT STATISTICS

A. Annual statistical reporting

40. IAPSO, on behalf of the Director-General for Development and International Economic Co-operation, collects, analyses and presents annual procurement statistics covering goods and services for operational activities from all sources of funding, for presentation to the General Assembly through the Economic and Social Council. The same report is also provided to the Governing Council. At its thirty-sixth session, the Governing Council requested IAPSO to include data on other components of technical co-operation such as experts, consultants, national professional project personnel, fellowships and volunteers, thus providing a more complete picture of national return flows.

41. To assist in the compilation of data for 1989, IAPSO developed spread sheets in computer diskette format which were sent to all reporting agencies, along with appropriate instructions, encouraging timely and accurate reporting in accordance with both Governing Council and General Assembly requirements. The agency deadline for submitting data for 1989 was 28 February 1990. Once the data has been received and analysed, a separate report will be prepared and made available to the Governing Council.

42. At its 14th meeting in Stockholm last year, IAPWG decided to create sub-working groups consisting of a smaller number of agencies, to assist with specific subjects which needed special attention and to provide guidance to all agencies in close co-operation with IAPSO. One sub-working group meeting, with representatives from 11 agencies, was held in Copenhagen from 25-26 January. Many agencies again reported problems in providing information with respect to country of origin, since such data was difficult to obtain from the suppliers and very often large numbers of smaller items were contained in single orders, notably for laboratory equipment and educational materials. In recognition of the need to facilitate such reporting in a reasonable and manageable manner, agencies requested a detailed proposal from IAPSO. One approach to solve this constraint would be to make such information an integral part of purchase orders and contracts and oblige the suppliers to provide this data. In case of a large number of smaller, low-cost items, it should suffice to presume that the country of origin is identical with the country of procurement. IAPSO will put forward detailed guidelines for such reporting during the IAPWG meeting in May to ensure agreement of the whole United Nations system. Another persistent problem for various agencies has been the use of a non-standard reporting format. In the above meeting, all members endorsed the format prepared by IAPSO and recommended that it be adopted by all the reporting agencies, thus facilitating the presentation of homogenous data for ease of computerization and preparation of reports. However, it was recognized that to improve the reliability of the statistical data, IAPSO should continue to train and familiarize the reporting staff of the various organizations.

43. The agencies in general also expressed difficulty in providing data on experts, consultants, national professional project personnel, fellowships and volunteers, although similar data is furnished on UNDP-funded projects to UNDP headquarters. To regularize such reporting, for all sources of funds in the United Nations system, it would be desirable that all such data be collected centrally by IAPSO and it was recommended that requests on this should be addressed by the Director-General for International Economic Co-operation to the heads of the agencies.

44. Regarding government-executed projects, UNDP Resident Representatives have been requested to submit procurement data for inclusion in the annual report. Similarly, the field offices have been requested to provide IAPSO with details of housekeeping expenses. These will be included in the annual statistical report for 1989.

45. Various computer systems are presently in operation within the United Nations system, for the compilation of statistical data: Lotus 123, dBase III/IV, and

EXCEL. In addition, a mixture of micro, mini and mainframe hardware systems are used by the agencies. In view of the individual agency computerization programmes, some heterogeneity is unavoidable. During the sub-working group meeting held in Copenhagen from 25-26 January, it was decided that IAPSO should undertake a study of the existing hardware and software in use by the agencies with the objective of harmonizing computerization and sharing information.

46. With more accurate and comprehensive procurement data included in its annual statistical reports, IAPSO efforts should result in greater transparency of the procurement activities of the United Nations system, in line with the expressed wishes of the governing bodies.

47. IAPSO is also discussing with an inter-agency group the desirability of adopting a Common Codification System which would facilitate: simplification of statistical reporting with subsequent reduction in costs of this recurrent activity; exchange of information on sources of supply (agency-agency, agency-IAPSO); and simplification of IAPSO compilation and distribution of verified supply sources in target countries. The proposed system will be discussed at the next IAPWG meeting in Tunis in May 1990. The common codification system, if adopted universally by all the agencies, will be a major step towards the development of a common procurement system among various organizations of the United Nations.
