



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

Distr.
GENERAL

DP/1986/24
12 April 1986

ORIGINAL: ENGLISH

Thirty-third session
2-27 June 1986, Geneva
Item 4 (b) of the provisional agenda

S U P P O R T

IMPLEMENTATION OF DECISIONS ADOPTED BY THE
GOVERNING COUNCIL AT PREVIOUS SESSIONS

PROCUREMENT FROM DEVELOPING COUNTRIES

Report of the Administrator

Summary

This report is submitted for the information of the Governing Council pursuant to decision 4/1 adopted by the High-level Committee on Technical Co-operation among Developing Countries in June 1985.

/...

INTRODUCTION

1. The High-level Committee on Technical Co-operation among Developing Countries, in decision 4/1, of June 1985, paragraph 6, requested the Administrator of the United Nations Development Programme to submit a report to the Governing Council at its thirty-third session based on experience in the field in the implementation of paragraphs 4 and 5 of that decision, including the progress achieved and bottlenecks and obstacles faced in this regard. Paragraph 4 reiterated the need to utilize fully the capacities of developing countries, and, in that context, invited the organizations and bodies of the United Nations system actively to make increasing use of equipment, services, experts and consultants available in the developing countries, within existing rules and regulations, and to continue to review their procurement policies and practices in this regard. Paragraph 5 requested the Secretary-General to take the necessary actions within existing rules and regulations in order to increase procurement from developing countries for the United Nations system by, *inter alia*, taking steps to overcome the lack of information about their procurement potential as well as arranging for wider dissemination of information regarding procurement potential and practices in the United Nations system. This report is submitted for the information of the Council pursuant to the High-level Committee's request.

THE PROBLEM

2. According to the figures presented to the General Assembly by the Director-General for Development and International Economic Co-operation in his annual reports on operational activities for development, procurement of equipment and supplies by the United Nations system, from all sources of funds, amounted to \$488.6 million in 1982, \$538.4 million in 1983 and \$478.4 million in 1984. Figures for procurement from developing country sources for the three years were \$97.7 million (20 per cent), \$106.8 million (19.8 per cent) and \$100.1 million (20.9 per cent), respectively. When broken down into the categories of equipment and subcontracting, the picture was as follows:

	1982			1983			1984		
	Total	From developing countries	%	Total	From developing countries	%	Total	From developing countries	%
	(in millions of US dollars)								
Sub-contracting	118.9	27.6	23.2	100.0	13.2	13.2	75.6	20.5	27.1
Equipment	369.7	70.1	19.0	438.4	93.6	21.4	402.8	79.6	19.8
TOTAL	488.6	97.7	20.0	538.4	106.8	19.8	478.4	100.1	20.9

While there are some shifts in subcontracting for services, there is no significant increase over this period in procurement of equipment and supplies from developing countries, which still represents approximately 20 per cent of the total procurement.

3. The Administrator has also examined the data in respect of procurement financed from UNDP funds (e.g. Indicative Planning Figure, Special Programme Resources, Special Measures Fund for Least Developed Countries and Government Counterpart Cash Contribution) which gives the following picture:

	<u>1982</u>			<u>1983</u>			<u>1984</u>		
	<u>Total</u>	<u>From developing countries</u>	<u>%</u>	<u>Total</u>	<u>From developing countries</u>	<u>%</u>	<u>Total</u>	<u>From developing countries</u>	<u>%</u>
	(in millions of US dollars)								
Sub-contracting	84.2	24.8	29.5	60.9	14.9	24.5	51.5	8.7	17.0
Equipment	<u>138.0</u>	<u>20.5</u>	<u>14.8</u>	<u>105.4</u>	<u>15.8</u>	<u>15.0</u>	<u>110.8</u>	<u>20.2</u>	<u>18.2</u>
TOTAL	<u>222.2</u>	<u>45.3</u>	<u>20.4</u>	<u>166.3</u>	<u>30.7</u>	<u>18.5</u>	<u>162.3</u>	<u>28.9</u>	<u>17.8</u>

Hence it would appear that the pattern of procurement for UNDP funds is not significantly different from that financed by the United Nations system as a whole.

4. At its twenty-fourth session in 1977, in its decision on Technical Co-operation Among Developing Countries (TCDC), the Governing Council had authorized, with the approval of a recipient country, preferential treatment of up to 15 per cent of the purchase price in respect of local procurement of indigenous equipment and supplies of developing countries. UNDP does not have positive evidence that this preferential treatment has resulted in any significant increase in procurement from those sources.

5. The difficulties experienced in increasing procurement from developing countries include the following:

(a) Attitudes in some developing country Governments, often endorsed by international project personnel, which may favour goods and services from developed countries, deeming them to reflect the highest technology;

(b) Inadequate infrastructure and high transportation costs preventing the rapid and economical movement of goods among developing countries;

(c) Considerations concerning warranties, start-up, training and availability of after-sales service, which sometimes preclude participation of suppliers and manufacturers from developing countries;

(d) Lack of current information in developing countries on opportunities for supply of equipment and services to projects undertaken by the United Nations system;

(e) Inadequate interest by some suppliers from developing countries in overseas sales, given the size of the local markets, the internal price structure and the quality control requirements;

(f) Limited experience of suppliers, in the developing countries, regarding requirements to be met in submitting bids or proposals;

(g) Inadequate knowledge in the United Nations system about existing capacities in the developing countries;

(h) Asking, in invitations for services, for extensive international, regional or in-country experience which the bidders from developing countries may not have, thus simultaneously eliminating them from present contracts and depriving them of the experience to qualify in the future;

(i) The experience and conditioning of international project staff, sometimes endorsed by national counterpart professionals, who may write the specifications and whose training or other associations, is limited to products and services from traditional sources;

(j) Subsequent preparation of invitations for bids for equipment in such a manner that the specifications may reflect known or established developed country manufacturers.

THE RESPONSE

6. As part of the continuing dialogue with other agencies of the United Nations system, this item was discussed again at the tenth meeting of the Inter-Agency Procurement Working Group (IAPWG) in April 1985. The agencies agreed to continue their efforts to expand procurement from developing countries. It was also agreed that UNDP's Inter-Agency Procurement Services Unit (IAPSU) would continue to develop its data base on potential sources of supply in developing countries and transmit such information to the agencies on a regular basis. The Administrator followed this up with a letter to all the agencies stating, inter alia, that "as an important step in this direction, we consider it imperative that executing agencies for UNDP projects ensure that suppliers from developing countries are shortlisted for bids wherever possible" and that "where open bidding is not required, careful and sympathetic consideration must be given to supplies from sources in developing countries". If an agency's own data base was not adequate, it was suggested that the agency use the IAPSU data base, which had been carefully vetted and was being expanded. Moreover, the agencies were reminded of the Governing Council's decision to allow a 15 per cent price preference to local procurement from developing countries. The Administrator intends to follow up with the agencies on what actions have been taken by them.

/...

7. A number of other concrete steps have been taken. These are:

(a) Further efforts by IAPSU to expand its data base, and exchange of these data with the agencies;

(b) Missions undertaken by IAPSU to selected countries (e.g. Brazil, India, Kenya, Pakistan, Sri Lanka, Turkey, Zambia and Zimbabwe) to explain to the public and private sectors the opportunities for doing business with the United Nations system and to identify and verify potential sources;

(c) The preparation by IAPSU of a country binder for each major country visited, reflecting information on types of products available, for periodic submission, with updating, to agencies;

(d) The initiative taken by the UNDP Office for Projects Execution to update its own roster of firms from developed and developing countries;

(e) The introduction by the Office for Projects Execution of a revised shortlisting form which requires the inclusion, whenever possible, of firms from developing countries;

(f) The submission, by IAPSU, of the revised shortlisting form to the executing agencies for their consideration;

(g) The continuation of efforts with the field offices and the agencies to publicize advance information on business opportunities through the business edition of Development Forum.

8. In addition to continuing the activities mentioned above, the Administrator is initiating or considering a number of other steps to expand procurement from developing countries. These include:

(a) Efforts by the Office for Projects Execution to pre-determine the interest and ability of potential suppliers from developing countries in relation to specific procurement actions, so as to assure an improved level of response from such sources to invitations to bid;

(b) The restriction by the Office for Projects Execution, whenever appropriate and in conformity with financial rules 114.18(b) and 114.18(e), of shortlists to local and regional firms and institutions when the local situation is considered to be competitive;

(c) The revision by the Office for Projects Execution of criteria for evaluation of proposals, particularly relating to the consideration of international, regional or in-country experience, without changing overall quality or performance requirements, so as to remove an automatic bias in favour of developed countries which is implicit in these criteria;

(d) Assistance, by UNDP, through advice and training, to potential suppliers in developing countries to equip them better to identify opportunities and to prepare bids and proposals which meet the bidding requirements; this would be done in conjunction with IAPSU missions to developing countries;

(e) The introduction by the Office for Projects Execution in its evaluation criteria of contracts for services of a rider in the invitations to bid that, all other factors being equal, preference would be given to those firms that undertake the activity in association with local or regional firms or with those from other developing countries.

9. Finally, the Administrator hopes that, as more projects are executed by Governments themselves, local suppliers and contractors would get more opportunities to compete.

10. The United Nations Financing System for Science and Technology for Development (UNFSSTD) has embarked upon a project to help to establish a consortium of African and non-African technical consultancy firms dealing with food technologies, agro-industries and energy. The objective is to give African consulting groups meaningful opportunities for consulting contracts, thus enhancing their technical capabilities and enabling them in future to take a more significant share of consultancy work in Africa. This initiative has been taken as a follow-up to the recommendations of the November 1984 meeting sponsored by UNFSSTD and the African Regional Centre for Technology on international co-operation for African technological development. The results of this experiment would be watched closely to see if they can be emulated in other regions and for other sectors.

CONCLUSION

11. The Administrator fully shares the Council's concern and is committed to try to expand procurement from developing countries, in particular, with respect to projects financed by it. The steps which the Administrator has taken, or intends to take, have been outlined in the preceding sections. These efforts can be translated into results only over a period of time. Much will depend also upon the efforts of the executing agencies, which do most of the procurement both for UNDP-financed projects and from other funds available with them. In respect of the total procurement figures shown in paragraph 2, agencies procured 90 per cent in 1982, 95 per cent in 1983 and 96 per cent in 1984. Member States may, therefore, also wish to pursue the subject through the governing bodies of the agencies. The Administrator has arranged to place this item again on the agenda of the next IAPWG meeting in April 1986 and will make an oral report to the Council on the results of this inter-agency discussion. Additionally, the Administrator has arranged with the agencies to

/...

provide reports on the steps taken by them in implementation of the High-level Committee decision 4/1. The Administrator will report on this to the High-level Committee at its fifth session in 1987 and subsequently to the Council at its thirty-fourth session. Meanwhile, the Administrator would welcome any views Council members may wish to offer as a guide for future action.

- - - - -

