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POLICY

PROGRAMME IMPLEMENTATION

Procurement from developing and under-utilized donor countries

Report of the Administrator

SUMMARY

The present report is submitted in response to Governing Council decisions 88/20 and 88/21 of 1 July 1988 and describes actions taken and planned to increase procurement from developing countries and under-utilized major donor countries. Procurement statistics for 1988 will be available after this report is written; consequently, the procurement data will be presented to the Council in a separate paper. This report also contains the Administrator's recommendations for the 1990-1991 biennium for strengthening the Inter-Agency Procurement Services Unit (IAPSU).

INTRODUCTION

1. The present report is submitted in response to Governing Council decisions 88/20 and 88/21 of 1 July 1988. It describes actions taken, progress made, problems encountered, and further actions that are planned.

I. STATISTICAL REPORTING

2. The Inter-Agency Procurement Services Unit (IAPSU), on behalf of the Director-General for Development and International Economic Co-operation, collects and presents annual procurement statistics of United Nations organizations and agencies covering goods and services for operational purposes from all sources of funding. The agency deadline for submitting data for 1988 is the end of March 1989. Once the data have been received and analysed, a separate paper will be prepared and made available to the Governing Council.

3. On the basis of experience with procurement statistics for 1987, one major problem area identified was that a large number of the agencies remain unable to report both country of procurement and country of origin statistics. A second lacuna is that data in respect of projects under government execution are not reported and included in the statistics.

4. To help in the compilation of 1988 data, IAPSU staff visited 17 United Nations agencies in November 1988 to discuss those areas where difficulties persist in the compilation of data, particularly those related to country of origin. The agencies were also briefed on the assistance available from IAPSU, such as the use of standardized statistical report spread-sheets in computer diskette form prepared by IAPSU for agency use.

5. As for the government-executed projects, Resident Representatives of the United Nations Development Programme (UNDP) are being instructed to arrange with the local governmental organizations the reporting of procurement statistics and to forward such data to IAPSU. These data would be included in the report on 1989.

6. With more accurate and comprehensive data included in the annual report, IAPSU's efforts should result in greater transparency of the procurement activities of the United Nations system. The work programme of IAPSU continues to give high priority to the provision of accurate statistics for the United Nations system.

II. INCREASED PROCUREMENT FROM DEVELOPING COUNTRIES AND UNDER-UTILIZED MAJOR DONOR COUNTRIES

A. General

7. Pursuant to paragraph 8 of General Assembly resolution 43/199 of 20 December 1988, the Director-General for Development and International Economic Co-operation is arranging a consultant mission to take a fresh look at the entire procurement process, including increased procurement from developing countries and

under-utilized donor suppliers as well as related procedures and information flow. The Administrator will extend the full co-operation of UNDP to the Director-General in this endeavour and has arranged for UNDP participation in the mission. Its recommendations will be given serious consideration for implementation. The next report of the Administrator on procurement will give an account of this.

8. The Inter-Agency Procurement Working Group (IAPWG) is scheduled to have its annual meeting in April 1989. The subject of procurement will be discussed by IAPWG. It is proposed that the above-mentioned consultant mission attend the IAPWG meeting. The Administrator will report on the meeting orally to the Governing Council in June 1989.

9. United Nations agencies have been assisting IAPSU in collecting data on suppliers in both developing and under-utilized major donor countries by providing lists of firms currently supplying common-user items. The information has been used by IAPSU to ensure that current suppliers of the United Nations system are included in the country-specific catalogues which are given wide circulation.

10. IAPSU will move its headquarters from Geneva to Copenhagen by June 1989. The move is expected to result in an expanded scope of procurement sources and enhanced competition among suppliers world wide. As such it is also consistent with a recent decision by the Governing Council that concrete measures be taken to achieve "equitable geographic distribution of procurement through the increased utilization of supply sources from developing and under-utilized donor countries ..." (decision 88/20). Greater competition will also allow for more cost-effective procurement, which is in the best interest of developing countries. IAPSU's costs at current levels of operations are expected to drop significantly after its move to Copenhagen - presenting savings of approximately \$200,000 annually to UNDP. Increased co-operation between IAPSU and the United Nations Children's Fund (UNICEF) Procurement and Assembly Centre (UNIPAC), a large warehousing facility in the Danish capital, will also be possible.

B. Increased procurement from developing countries

11. IAPSU has continued its programme aimed at identifying potential procurement sources in developing countries. UNDP has encouraged recipient countries to allocate a small amount from their indicative planning figures (IPFs) to assist with this important programme, which potentially could be of direct benefit to export promotion efforts.

12. The first country-specific catalogue was introduced by IAPSU in February 1987 covering a very limited number of products from Brazil, as a pilot demonstration project, which has been found both useful and practical. A number of orders have been channelled to companies included in the catalogue. Interest has been expressed for producing a more complete edition.

13. A project was approved by the Government of India in the beginning of 1988 and project implementation commenced immediately. The catalogue of potential suppliers in India was completed and distributed to all agencies and UNDP field offices in

July 1988. This documentation was well received and favourable comments on its usefulness were made, particularly in the context of regional availability of goods which could be required for specific projects. Information provided by the national focal point indicates that some of the firms included have already received orders from the United Nations system. Discussions have been held for a second phase of the exercise.

14. Subsequently, a project was approved in Algeria. The catalogue on suppliers in Algeria was completed in November 1988 and training seminars were held in Algiers with representatives of the firms on the methodology and approach of selling to the United Nations system. Simultaneously, the focal point for follow-up activities was set up in the country.

15. Data-collecting exercises and information dissemination seminars were also held in Indonesia and Turkey, in anticipation of the final preparation of catalogues for these two countries to be published in 1989.

16. In addition to ongoing projects, 27 project proposals have been sent by IAPSU to other developing countries. Positive interest has so far been expressed by Argentina, Bangladesh, Brazil (for a second and more complete edition), Cyprus, India (for phase II), Malaysia, Mozambique, Pakistan, the Philippines, Thailand and Zimbabwe. One country gave a negative reply and responses from the remaining countries are awaited.

17. Additional IAPSU initiatives to stimulate the interest of developing countries in having their manufacturers become potential suppliers of the United Nations system are planned, depending on the availability of personnel and resources. These include (a) short-term missions to developing countries, preferably coinciding with local trade fairs or other similar events, which would facilitate arrangement of seminars with potential suppliers; and (b) direct access to an updated IAPSU data bank on potential suppliers by all agencies, UNDP field offices and other interested parties. IAPSU is already assisting the agencies in locating sources for indicated items if such information is not readily available in the catalogues.

18. The Technological Information Pilot System (TIPS) network is being used regarding UNDP-funded business opportunities, and it is planned to make data available on procurement sources in developing countries accessible via TIPS by means of a short summary format by product and supplier.

19. In order to develop a still better understanding and close co-operation by the United Nations system, IAPSU arranged for two consultative meetings with Geneva-based and Vienna-based agencies.

20. There is no doubt that all agencies have been sensitized to the need to increase procurement from developing countries. Judging from agency statements and comments, it is to be expected that actual procurement from developing countries is on the increase. Nevertheless, it is not realistic to expect spectacular changes from one year to the next. This is a gradual process in which a number of adjustments must be made. Along with the efforts of the United Nations system, the

recipient countries themselves need to play an important and active role by not only accepting goods and services from other developing countries but by pursuing policies which would promote procurement from such sources.

21. A number of further steps have been identified, among them:

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

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

(c) Project experts should be adequately briefed by the executing agencies on increased procurement from developing countries;

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

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

(f) When purchase of indigenous goods is not practical, consideration should be given to 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.

22. Some agencies have raised the question of clarifying some aspects of applying the 15 per cent preferential arrangement across the board, and of the means to cover them for financial responsibility if goods from new sources do not meet the project needs. The latter questions will be pursued with the agencies to reach a consensus. The agencies have again pointed out that equipment of a "high-tech" nature is not yet available in the developing countries and that such needs have to be met from sources in industrialized countries.

C. Procurement from under-utilized major donor countries

23. Donor countries like Canada, Denmark, Finland, the Netherlands, Norway and Sweden have been recognized as under-utilized when it comes to procurement of goods and services for UNDP-funded projects.

24. Activities were initiated in June 1988 to collect data on potential suppliers in all six of the major under-utilized donor countries. Using country focal points to verify and clear data provided, IAPSU has received voluminous information for processing into the catalogue format. Three catalogues for Finland, Norway and

Sweden were published at the beginning of 1989 and two more covering Canada and Denmark are in advanced stages. The focal point for the Netherlands was unable to participate in the exercise, and alternative possibilities are being considered for collection of data in 1989.

25. The information on potential suppliers from under-utilized major donor countries is presented in each catalogue under various product headings and with a separate section for firms providing consulting or other services. IAPSU has requested the national focal points to update the information on a continuous basis, thereby ensuring current and reliable information in the IAPSU data bank. Updated catalogues will be published on an annual basis.

26. The agencies have reported that while efforts continue to deal with new sources in these countries, many of the project needs could not be met due to the nature of requirements, i.e., medication for tropical diseases, special vehicles suitable for developing country conditions, etc., which were simply not available in the countries concerned.

27. Agencies have also found lack of interest in these countries in smaller contracts, judging from the poor response rate. A possible reason for this could be that the respective national export focal points did not have the capacity to follow up with smaller companies and thus tended to concentrate on the larger ones. Several agencies point out that most of their inquiries did go to national focal points rather than individual firms, but with unsatisfactory results. With country catalogues now being produced, it is to be hoped that inquiries can be addressed directly to the firms.

28. Representatives from IAPSU and several United Nations agencies participated in recent "UN Business Contact Days" meetings in two under-utilized major donor countries, Canada and the Netherlands.

D. Dissemination of advance information on business opportunities

29. IAPSU has encouraged all agencies to advertise their business opportunities in line with increasing pressure by Governments for enhanced transparency of the procurement process. It was agreed at the last Inter-Agency Procurement Working Group meeting that agencies would advertise all business opportunities in excess of \$US 100,000 in Development Business, irrespective of source of funding, under the IAPSU common heading for the United Nations agencies. All UNDP Resident Representatives are obliged to report to IAPSU all business opportunities appearing in UNDP-funded projects. Such notices are routinely cleared by the executing agency concerned before publication. However, past experience with this approach has been disappointing and only a small percentage of potential contracts is actually being advertised. Consideration is, therefore, being given to making advance notices of business opportunities mandatory for UNDP-funded projects, i.e., a condition for accepting project execution responsibility, by building a requirement into the project document itself that business opportunities will be advertised in Development Business.

30. In late 1987, UNDP started to inform IAPSU about project approvals by the Action Committee at headquarters (i.e., above \$700,000) and to allow all such approvals containing business opportunities to be advertised. These early notices are now routinely appearing in Development Business, well in advance of any procurement decisions. Arrangements are now being made also to advertise those projects (under \$700,000) which are approved by the Resident Representatives.

31. Furthermore, these notices are also facsimiled or mailed to focal points in both developing and under-utilized donor countries. The TIPS network is also receiving such advance information directly from IAPSU. The new approach should ensure information early enough for companies to register their interest in actual business opportunities, which was rarely the case in the past.

E. Short-listing of potential suppliers

32. IAPSU was requested by agencies at the last IAPWG meeting to prepare a standard short-listing format to ensure that both companies in under-utilized and developing countries were represented when offers are being requested. This standard format will be discussed at the forthcoming IAPWG meeting in April 1989 and should represent another positive action.

III. IAPSU STAFFING

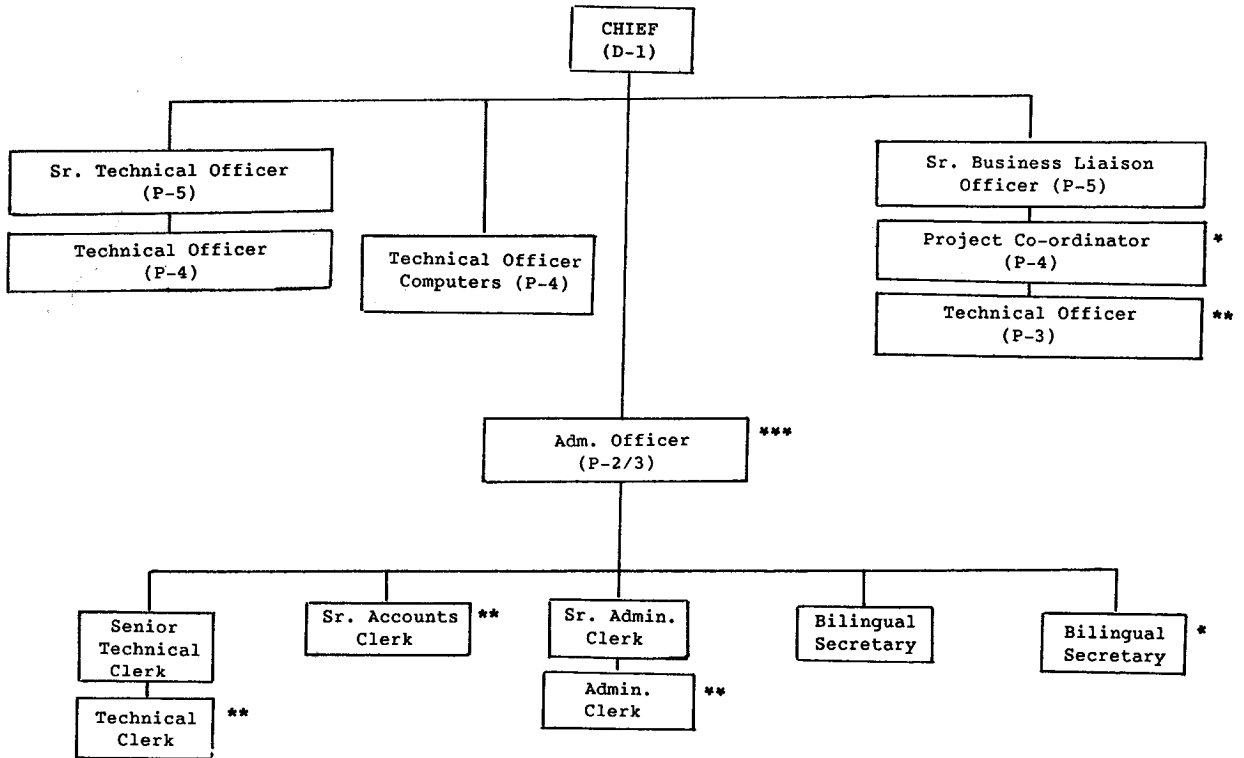
33. IAPSU's current staff includes a total of six Professional and five General Service posts. Of these, one Professional and one General Service post were authorized by the Governing Council in 1987 as a temporary measure to strengthen IAPSU's capacities towards the priority mandate to increase procurement from developing countries. The Administrator is recommending in his budget proposal that these two posts be regularized in the 1990-1991 biennium.

34. In addition, one Professional post at the relatively junior level of P-3 is requested to handle the fast-growing work-load with increased procurement from developing countries, notably to assist with advance business notices, contract awards, procurement statistics and advisory services on potential procurement sources. Additionally, the number of General Service posts is inadequate to cope with the work-load associated with the ambitious work programme coupled with the additional clerical work associated with relocation from Geneva to Copenhagen. A further three General Service posts are therefore also being proposed for the 1990-1991 biennial budget. Some of these costs will be offset by reduction in the subvention now paid to the UNDP Geneva Office and the United Nations Office at Geneva for services provided which will no longer be required from them in the new location.

35. IAPSU's strength is a function of its lean and dedicated staff, with an active work programme. The need to increase core staffing will be reviewed annually. The total requested IAPSU core staff for the biennium 1990-1991 is presented in the annex to this report.

Annex

ORGANIZATIONAL CHART OF IAPSU



- * Temporary posts requested regularized.
- ** Requested additional posts.
- *** Requested reclassified from G-7 to P-2/3 (no cost implications).

1. Authorized posts for the 1988-1989 biennium

(a) Professional posts

- Chief (D-1)
- Senior Technical Officer (P-5)
- Senior Business Liaison Officer (P-5)
- Technical Officer (P-4)
- Technical Officer - Computers (P-4)
- Project Co-ordinator (P-4) (Temporary posts)

Total: Six Professional posts

(b) General Service posts

- Administrative Assistant (G-7)
- Technical Assistant (G-5)
- Bilingual Secretary (G-4)
- Bilingual Secretary (G-4) (Temporary post)
- Clerk (G-4)

Total: Five General Service posts

2. Approvals now requested

- (a) Regularization of one Professional and one General Service post.
- (b) One additional post (P-3) to strengthen procurement from developing countries.
- (c) Three additional General Service posts.