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OPERATIONAL ACTIVITIES FOR DEVELOPMENT

JOINT INSPECTION UNIT

Practices and procedures aimed at a more equitable
geographical distribution of sources of procurement
for technical co-operation projects

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the comments of the Administrative Committee on Co-ordination on the report of the Joint Inspection Unit entitled "Practices and procedures aimed at a more equitable geographical distribution of sources of procurement for technical co-operation projects" (A/44/646).

Comments of the Administrative Committee on Co-ordination on the report of the Joint Inspection Unit entitled "Practices and procedures aimed at a more equitable geographical distribution of sources of procurement for technical co-operation projects" (JIU/REP/89/8)

I. GENERAL

1. The report was prepared by the Joint Inspection Unit at the request of the United Nations Development Programme (UNDP). As such, rather than discuss the procurement practices of individual agencies, it focuses on the efforts made by the executing agencies in carrying out UNDP projects and addresses key United Nations system-wide issues.
2. Prior to the preparation of the report, the issue of sources of procurement for the operational activities of the United Nations system had been highlighted in General Assembly resolution 42/196 of 11 December 1987, in particular paragraphs 27 to 29 thereof, and in several decisions of the UNDP Governing Council adopted in 1987 and 1988.
3. The Administrative Committee on Co-ordination (ACC) is aware that the Director-General for Development and International Economic Co-operation prepared a report on the same subject (see A/44/324/Add.3-E/1989/106/Add.3), pursuant to the request of the General Assembly as expressed in its resolution 42/196. Implementation of the proposals contained in the Director-General's report was recommended by the General Assembly in paragraph 22 of its resolution 44/211 of 22 December 1989. Several of those proposals are relevant to the issues covered by the Inspector.
4. The JIU report was well received by the bodies of the United Nations system involved in procurement for UNDP projects. ACC appreciated the thoughtful, balanced approach of the Inspector, who, while pointing out areas where further effort was needed, acknowledged the efforts made by the agencies to increase procurement from developing countries and under-utilized major donor countries and to improve the compilation and reporting of information on procurement.
5. While recognizing that the JIU report focused on UNDP projects, one organization felt that the report would have benefited from an analysis of all procurement from developing countries, not only that for technical co-operation activities.
6. Several members of ACC felt that the agencies' role in the promotion of procurement from developing countries should also be seen in the context of the increasing shift to execution of projects by national Governments. In this connection, they were concerned about the decreasing role in the future of agencies in procurement of goods and services for UNDP projects. With less involvement of the agencies, their role in promoting procurement from developing countries, as advocated by the Inspector in his report, may diminish. Those members of ACC also believed that it would have been useful if the report had included an analysis of the impact of the increasing shift to execution of projects by national Governments as a project execution modality on procurement from developing countries.

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7. The International Atomic Energy Agency, in light of the highly technical and specialized nature of its activities, addressed the policy issue of increasing procurement from developing countries and under-utilized major donor countries and pointed to the risk that project managers might lose sight of the primary aim of technical co-operation, which was an overall successful project that achieved its objectives. That organization also took issue with the underlying assumption that the bodies of the United Nations system were engaged in essentially similar activities and that common-user items could be identified; it also regretted that the report had not taken into consideration the problems posed by tied assistance. That regret was shared by the Food and Agriculture Organization of the United Nations.

II. SPECIFIC COMMENTS

8. Regarding the under-utilized major donor countries, one organization pointed out that paragraphs 14 and 15 of the report could be misinterpreted, since the issues of under-utilized major donor countries and of non-convertible currencies were being linked, although they obviously concerned different sets of countries.

9. Many of the organizations members of ACC noted that, while they endeavoured to apply to the fullest extent possible the policy of increasing procurement from developing and under-utilized major donor countries, many of the high technology items required for the execution of their projects were available only from industrialized countries.

10. Regarding the identification of supply sources, one organization agreed with the attractive prospect of identifying high-volume, common-user items available for procurement in developing countries (A/44/646, para. 26), but noted that the main hurdle would be to convince both recipients and agencies that those items should be procured from the sources identified.

11. ACC supported the Inspector's views presented in paragraphs 28 to 36 of the report on the delicate issue of the negative attitudes of recipient Governments and the need for further efforts by agencies and international project personnel in assisting them to overcome such negative attitudes. A few organizations thought that such attitudes would change through the provision of top quality products, hence the necessity to improve in-country quality control and testing, or through the efforts of the experts providing technical co-operation services in the recipient country.

12. In paragraphs 30 to 36 of the report, the Inspector outlined the advantages of a demand-oriented strategy over the focus on supply sources currently favoured by UNDP. His argument was that "supply ... is of little import if there is no demand (from governments). Thus, it should follow that the paramount task is to create the particular demand sought in governments" (*ibid.*, para. 28). Consequently, the Inspector advocated mounting "a concentrated effort by the executing agencies and UNDP (through its resident representatives) towards gaining acceptance of developing country products by recipient developing countries" (*ibid.*, para. 31).

13. ACC did not dispute the advantages of a demand-oriented strategy. However, one organization pointed out that the efforts of the Inter-Agency Procurement and Supply Office (IAPSO) to identify supply sources went beyond the potential needs of the United Nations system, since Governments themselves used the data for export promotion and both bilateral aid organizations and non-governmental organizations were also the recipients of the country-specific catalogues compiled by IAPSO. The data compiled by IAPSO should be used by the agencies and resident representatives when they try to convince the Governments of recipient developing countries that the products of developing countries are of equal quality to those of industrialized countries.

14. ACC agreed that the development of a reliable statistical data base on purchases was of paramount importance. However, the difficulties inherent in developing a global data base, particularly in view of the decentralization of purchasing, were highlighted, and the need for better definition and standardization of data was stressed. It was pointed out that the additional workload required would increase overhead costs. One organization commented that the role of IAPSO as a focal point for the collection of such data should be reinforced and that it would be better prepared in the future to contribute to the data collection when its planned computerized field office inventory system were fully operational.

15. Decentralization of purchasing has increased over the years, which has led to speedier decision-making and to swifter action at the operational level. While welcoming this trend, the Inspector pointed out that it might not necessarily lead to an increase of goods purchased from developing countries, and that the price of such goods might be higher than under alternative arrangements.

16. ACC shared those concerns and its members have taken measures accordingly. For example, one organization only gives the authorization to purchase major foreign goods locally when local purchase is not more expensive than purchasing directly from the country of origin. Most organizations have switched to local purchasing for much of their supplies and equipment and for common-user items, which cuts down delivery time and facilitates service and maintenance. However, for high technology materials and equipment, quality is paramount and local purchasing is not always a viable option.

17. On the issue of a price preferential for indigenous goods and services purchased from developing countries (paras. 40-43 of the report), one organization concurred with the Inspector's analysis, while another said that the report did not offer a solution to the dilemma of reconciling the requirements of competitive bidding with the request to grant a price preferential. A similar diversity of views was apparent on the related issue of amending financial rules and procedures. While one organization welcomed the Inspector's recommendation to amend the rules to allow for implementation of the preferential scheme, another pointed out that its policy subjected purchases of \$20,000 or more to international competitive bidding and said that no compromise was possible in the search for top quality products and services.

III. COMMENTS ON RECOMMENDATIONS

Recommendation one

18. ACC as a whole did not agree with the recommendation to establish specific procurement targets for both developing and under-utilized major donor countries. It agreed that while the setting of annual procurement targets might have some merit, it would be difficult to set targets by agency, region or country. It would instead be preferable to set targets for the system as a whole. Better information on and greater availability of quality products that could compete on the open market may in due course enable the system to adopt country targets. The foregoing applied in particular to organizations involved in highly specialized products that were only available in a limited number of countries.

Recommendation two

19. As indicated earlier under specific comments, ACC welcomed the discussion of attitudinal barriers contained in the report and agreed on the need for a joint strategy of UNDP and the agencies to alter the attitudes of Governments and international project personnel. As a corollary, several organizations emphasized the need to improve the quality of goods and services from developing and under-utilized major donor countries through better testing and in-country quality control and through training and capacity-building.

Recommendation three

20. Other than the reservations mentioned in paragraph 7 above, ACC had no difficulty in principle with the concept of common-user products. However, one organization cautioned that it would be important to avoid a situation in which IAPSO would be responsible for the common-user items while the agencies would be responsible for the more specialized equipment.

Recommendation four

21. ACC agreed with the need for the executive heads to reaffirm their commitment to the objectives established for procurement and to make that commitment known through precise directives to the technical staff and international project personnel concerned.

Recommendation five

22. The organizations of ACC agreed with the recommendation that their data bases should include information on the country of origin of the goods and services procured. It was suggested in addition that project documents should indicate whether the goods and services were available in the recipient country or in a nearby country. One organization proposed that information on the country of origin should be included in the IAPSO country binders, and another suggested that beside compiling data on country of procurement and country of origin, IAPSO should provide training and guidance on how to standardize such data.
