



**Executive Board of
the United Nations
Development Programme
and of the United Nations
Population Fund**

Distr.
GENERAL

DP/1996/31
16 July 1996

ORIGINAL: ENGLISH

Third regular session 1996
9-13 September 1996, New York
Item 5 of the provisional agenda

UNDP: FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

ACTIVITIES OF THE INTER-AGENCY PROCUREMENT SERVICES OFFICE

Report of the Administrator

I. PURPOSE

1. A comprehensive report on the activities of the Inter-Agency Procurement Services Office (IAPSO) was presented to the Executive Board at its first regular session 1996 in document DP/1996/7. That document was submitted in line with the IAPSO budget strategy for the 1996-1997 biennium, and to respond to recommendations resulting from the Board of Auditors' review of IAPSO activities as part of the audit exercise for the 1994-1995 biennium.

2. Upon consideration of document DP/1996/7, the Executive Board reaffirmed the mandate of IAPSO as being: (a) to promote inter-agency cooperation and coordination through research and development on procurement-related matters, where possible finding ways of making such activities self-financing; and (b) to provide procurement services to organizations of the United Nations system and its partners in development (see decision 96/2 of 17 January 1996, paras. 2-3). In addition, IAPSO was requested to present a consolidated biennial report to the Executive Board on its activities, and to provide a full statistical report on United Nations system procurement at its third regular session 1996 (decision 96/2, para. 5).

3. The present report provides a brief update on the information presented in document DP/1996/7, highlighting the developments and results achieved by IAPSO since 1994, as well as activities planned for the future. The report also provides summary statistics on procurement, in particular, from developing and underutilized major donor countries (UMDCs). Detailed United Nations system procurement statistics may be found in the IAPSO 1995 Annual Statistical Report, which has been distributed to the Executive Board separately.

II. RESEARCH AND DEVELOPMENT ACTIVITIES

4. The research and development activities of IAPSO are carried out in the context of the guidance provided by the Inter-Agency Procurement Working Group (IAPWG). IAPSO has continued its role as the IAPWG secretariat, convening its annual meetings and the ad hoc meetings of technical sub-working groups. Based on discussions held by IAPWG aimed at improving procurement coordination, efficiency, transparency and information-sharing within the United Nations system, the main achievements of IAPSO since 1994 are described below.

Harmonization of procurement procedures among United Nations organizations

5. In 1994, IAPWG initiated the review of pertinent provisions of the model law for procurement of goods, construction and services, which was developed by the United Nations Commission on International Trade Law for adoption by Governments. The objective of the IAPWG was to develop an overall set of principles to guide United Nations system procurement, in order to provide transparent guidelines for suppliers on how to do business with the United Nations system. As a result of this work, Common Guidelines for Procurement by Organizations in the United Nations System were developed and adopted by IAPWG in 1996. These guidelines will be published in the IAPSO "General Business Guide".

6. In 1995, to further harmonize procurement procedures, IAPWG initiated efforts to define standard terms and conditions on contracts for procurement of goods and services. IAPWG will continue to work on this subject during 1996, in collaboration with the United Nations Office of Legal Affairs, with a view to adopting such standard terms and conditions at its 1997 meeting.

7. IAPWG has defined the concept of "lead agency" to guide coordinated procurement for selected product groups. The lead agency is defined as the United Nations organization which (a) represents a major share of such procurement; (b) has the necessary technical competence; and (c) is committed to coordinated procurement. The lead agency assumes technical responsibility for the products involved and, in cooperation with IAPSO, provides all United Nations agencies with access to information on direct procurement.

8. In support of coordinated procurement, standardization of basic specifications and collective price arrangements for common-user items have thus far been undertaken for motor vehicles, office equipment and electric generators. Use of the resulting umbrella contracts has resulted in an estimated direct annual savings of \$20 million on some 10,000 purchase orders throughout the United Nations system, including those from country offices. Additional benefits have accrued due to simpler administration of procurement by waiving further competitive bidding for the period of validity of such contracts.

Procurement of emergency relief items

Compendium of basic specifications

9. The compendium, which includes specifications for items required during the first phase of an emergency, is intended to facilitate cost-effective procurement, improve emergency-preparedness and provide guidelines for donations of emergency items. The first volume was published by IAPSO in 1995, covering 265 non-medical items. This catalogue was developed at the initiative of IAPSO, under the guidance of lead agencies for each category of items and with the assistance of non-United Nations humanitarian aid organizations. The second volume, which covers the basic specifications of 315 medical items and for which the lead agency has been the World Health Organization (WHO), has been finalized for publication in 1996.

Database of Items for the Relief of Emergencies (DIRE)

10. In an effort to improve efficiency and timeliness in the delivery of humanitarian emergency assistance and facilitate competitive bidding under urgent requirements, a database of commercial supply sources for emergency items is under development. The lead agency for each commodity group will assist IAPSO in identifying qualified suppliers for registration in DIRE. The database will include supplier profile, product specifications, stock levels and indicative prices.

Technical Aids for Disabled Persons

11. In 1995, the World Summit for Social Development accorded high priority to assisting disabled persons in developing countries, through easy access to appropriate technical aids, as a means to contributing towards poverty alleviation of a particularly disadvantaged group of people, including victims of land-mines. A priority list of such technical aids was established by IAPSO, in cooperation with 25 United Nations and non-United Nations humanitarian aid organizations, including the European Commission. Financial support for the start-up phase of this project, i.e. developing specifications, has been granted by the Norwegian Government.

United Nations Common Coding System (UNCCS) Maintenance Secretariat

12. UNCCS was developed by IAPSO as a practical tool to facilitate the interchange of data on sources of supplies in a common database and to simplify statistical reporting. UNCCS presently covers some 17,000 types of goods and services and is being expanded on an ongoing basis.

13. During 1995, the UNCCS thesaurus in English was updated and published, and for the first time, Spanish and French versions were also published. In addition, updated tables correlating UNCCS with the Community Procurement Vocabulary (CPV), Harmonized System (HS) and Standard International Trade Classification (SITC) coding systems were prepared and issued.

14. Most United Nations organizations have already adopted UNCCS for the coding of goods and services. The World Bank has adopted UNCCS for their Database of

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Consulting Organizations (DACON), and UNDP is using UNCCS for coding the professional expertise of individual consultants. Moreover, the North Atlantic Treaty Organization has also expressed a keen interest in developing a correlation between UNCCS and their classification system for peace-keeping applications.

15. In order to cope with the increased demand for user services, a UNCCS Maintenance Secretariat was established in Oslo, Norway, as an IAPSO sub-office and has been operational since early 1996. The Government of Norway has provided funding for the initial three years of operation, after which it is expected that the operation will become self-financing.

16. With the increased usage of Internet and electronic communications, a need has arisen for a universal language for communicating product descriptions and/or specifications. To cater to this need, it is envisaged that IAPSO, through the UNCCS Maintenance Secretariat, will be increasingly involved in activities related to "electronic commerce", such as the use of UNCCS for messaging standards and bar-coding.

United Nations Supplier Database (UNSD)

17. The United Nations Supplier Database (UNSD), previously known as the Common-Vendor Database, is a tool for the interchange of information on suppliers used by United Nations organizations over the past five years. Information is provided to IAPSO, either in electronic form or as vendor reports, and updated versions are distributed regularly, both to United Nations agencies and, since 1994, to all UNDP country offices. UNSD contains over 7,000 active suppliers, with 27 per cent from developing countries and 12 per cent from UMDs, and is actively used by the United Nations system. UNSD is complementary to other supply sources, thus promoting wider geographical distribution of contracts. IAPSO provides country offices with the necessary software to establish local supplier rosters and encourages them to report successful suppliers to IAPSO for inclusion in UNSD.

General insurance schemes

18. IAPSO has negotiated global insurance policies for fellows, experts and consultants in the United Nations system.

19. Fellowship insurance covers a large number of personnel categories, with policy options for medical expenses and death and disability. In 1994 and 1995, some 42,500 man/months of fellowships were included and 23 United Nations agencies used the scheme. The policy is renewed annually, in 1996, without any increase in premium rates.

20. Global compensation for experts and consultants is designed to protect the United Nations from claims arising from benefits guaranteed under Appendix D to the United Nations staff rules. It provides adequate coverage in the event of illness, injury or death attributable to the performance of official duties of experts and consultants on fixed-term contracts and special service agreements. The policy runs for three years, 1994-1996, and is used by UNDP, the United Nations Population Fund and the Office for Project Services (UNOPS). In 1994,

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3,360 expert person/months and 6,360 consultant person/months were covered through the scheme, and a slightly higher number in 1995.

Environmental concerns in procurement

21. In 1995, IAPSO launched the Green Office Initiative in cooperation with the United Nations Environment Programme (UNEP), aiming at promoting concern for environmental issues in office maintenance and administration. Thus far, UNDP has identified 10 country offices to implement this initiative on a pilot basis. IAPSO also introduced environmental specifications in the 1995 bidding exercise for United Nations umbrella contracts.

22. In line with the "green office" concept, a committee was formed to promote environmental concern within the Copenhagen-based United Nations organizations (WHO, United Nations Children's Fund, the United Nations Information Centre and IAPSO). The committee has tackled such issues as the purchase of recycled paper, remanufactured toner cartridges, "green" office supplies and energy efficiency.

23. To facilitate the implementation of concern for the environment in the supply chain, IAPSO is developing a practical guide and training package on "green" procurement.

Promoting transparency and information-sharing on United Nations procurement

24. IAPSO has continued to promote information on the procurement activities of the United Nations system through advisory services and publications targeted at the business community.

25. The General Business Guide of the United Nations system is published in English, French and Spanish and revised on an annual basis, in close cooperation with all United Nations organizations. Some 10,000 copies are distributed annually, at business information seminars, to companies requesting market advice, and through United Nations agencies. IAPSO also cooperates with national trade-promotion focal points in bringing market information to the business community, promoting transparency in procurement activities of the United Nations system.

26. The monthly bulletin "Procurement Update" is published by IAPSO and provides information on newly approved UNDP-funded projects of interest to the business community and major contracts awarded and procurement notices from United Nations agencies. "Procurement Update" is distributed through the network of national trade promotion focal points and permanent missions. The bulletin is also available directly to companies through an electronic bulletin board, which will gradually be replaced by distribution through Internet.

Increasing geographical distribution of procurement

27. As mandated by the General Assembly and the Executive Board, IAPSO has continued its efforts towards promoting increased procurement from developing and UMDCs.

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Developing countries

28. As a step towards increased awareness of national capacity in developing countries, specific projects have been completed, jointly with national focal points, to identify potential supply sources in Malaysia, the Republic of Korea, Singapore and South Africa. Country catalogues covering information gathered through the above-mentioned projects have been widely distributed to United Nations organizations, country offices and non-governmental organizations (NGOs). In association with national focal points, business seminars were organized in Cyprus, Malaysia, the Republic of Korea, Singapore, South Africa and Zimbabwe in 1994 and 1995, and in early 1996, in the Czech Republic and Slovakia, on how to market goods and professional services to the organizations of the United Nations system.

29. The annual meetings of IAPWG, held in developing and industrialized countries on a rotating basis, include activities to assess the commercial capacity of host countries and provide information on United Nations system requirements.

Underutilized major donor countries

30. Donor countries such as Denmark, the Netherlands, Norway and Sweden have been recognized as underutilized in the procurement of goods and services for UNDP-funded projects. With the assistance of national focal points, IAPSO catalogues on potential suppliers in Denmark, the Netherlands, Norway and Sweden were updated and widely circulated to United Nations organizations, NGOs and country offices. To create an awareness among the business community about the potential and nature of items procured by the United Nations system, 11 business seminars were organized in the above countries during 1994-1995.

31. UMDC status is established based on relative share of procurement in relation to voluntary contributions to UNDP. However, at the request of IAPWG, IAPSO initiated a revision of the formula by which UMDC status is determined. The revised formula was presented to IAPWG in 1996 and is being refined, based on its comments, to provide the flexibility for each individual agency to establish UMDC status for its own purposes, based on common criteria. However, UNDP will continue to require that, for all UNDP-funded projects, the UNDP list of UMDCs be used.

III. IAPSO PROCUREMENT SERVICES

32. In addition to its inter-agency role in research and development for procurement-related activities, IAPSO is mandated to provide procurement services to United Nations agencies and partners in development. These services are provided mainly in the form of advice, training and direct procurement.

33. The volume of procurement handled by IAPSO has grown steadily over the past few years. At \$48.2 million in 1994, an increase of 9.5 per cent over the previous year, it reached \$56.8 million in 1995, an increase of 16.5 per cent. Growth is continuing in 1996 at a rate of about 15 per cent, based on the

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results of the first five months of the year. Table 1 below summarizes the volume of IAPSO direct procurement by major product group.

Table 1. IAPSO procurement volume by major product group, 1994-1995

(In millions of United States dollars)

Product group	1994		1995	
	Amount	Percentage	Amount	Percentage
Motor vehicles and spare parts	40.7	84.5	43.9	77.2
Computers	3.1	6.4	3.2	5.6
Office equipment/furniture	1.6	3.3	1.8	3.2
Agricultural equipment	0.5	1.0	1.4	2.5
Laboratory equipment	0.4	0.8	3.4	6.0
Power generators	0.3	0.6	0.7	1.2
Other	<u>1.6</u>	<u>3.4</u>	<u>2.4</u>	<u>4.3</u>
TOTAL	<u>48.2</u>	<u>100.0</u>	<u>56.8</u>	<u>100.0</u>

34. IAPSO also provides expert advice to organizations in the United Nations system on all matters related to the procurement of light and commercial project vehicles. In addition, more than 1,900 units were purchased in 1995 for partners cooperating with UNDP, realizing important savings. The purchase of vehicles represented 77.2 per cent of total procurement in 1995, while in 1994 it accounted for 84.5 per cent. Growth in procurement took place in other groups of commodities, namely, computers, office equipment, communication and audiovisual equipment, power generators and laboratory equipment, which represented 22.8 per cent of the total dollar value of procurement in 1995, compared to 15.5 per cent of the total value of procurement in 1994. The trend towards diversification of the type of goods that IAPSO procures will continue, as required by the cooperating partners.

35. In 1995 the average contract size rose to \$24,500, compared with \$22,000 in 1994. Continuous staff training helped to foster an action orientated team, with focus on quality and accountability.

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Services for UNDP and its partners

36. IAPSO continues to pursue the goal of strengthening the position of UNDP and promoting coordination with partners in aid, both inside and outside the United Nations system. In this connection, IAPSO has developed an integrated procurement service concept, which includes the provision of technical advice, sourcing, the supply of common-user items and counterpart training in procurement.

37. Table 2 below summarizes the volume of IAPSO direct procurement services provided to its different clients.

Table 2. IAPSO procurement services by client group, 1994-1995

(In millions of United States dollars)

Client group	1994		1995	
	Amount	Percentage	Amount	Percentage
UNDP	3.8	7.9	4.2	7.4
NGOs, donor development agencies	23.5	48.8	28.3	49.7
Programme country Governments	13.3	27.5	16.4	28.9
United Nations organizations	2.1	4.3	2.5	4.5
United Nations staff	<u>5.5</u>	<u>11.5</u>	<u>5.4</u>	<u>9.5</u>
TOTAL	<u>48.2</u>	<u>100.0</u>	<u>56.8</u>	<u>100.0</u>

38. Donor government development agencies and NGOs remain prime customers of IAPSO services, accounting for about half of the annual turnover. IAPSO has established an efficient partnership in procurement for development assistance and emergency relief with numerous international NGOs, such as Médecins sans frontières (Belgium) (Doctors Without Borders), Cooperative for American Relief Everywhere International, Save the Children Fund (United Kingdom) and bilateral donor development agencies in Germany, the Netherlands and all Nordic countries.

39. Programme country Governments have been increasingly assisted by IAPSO in implementing programmes funded by UNDP and by multilateral lending institutions. In 1995, the volume of this procurement accounted for 28.9 per cent, compared with 27.5 per cent the year before.

40. As indicated above, IAPSO provides assistance for procurement to UNDP country offices through direct access to umbrella contracts for common-user

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items negotiated by IAPSO and other means (e.g., catalogues, UNSD, etc.) for direct procurement sourcing. Nevertheless, 7.4 per cent of direct procurement by IAPSO was on behalf of UNDP country offices or for projects under national execution in 1995, slightly down from 7.9 per cent of total procurement in 1994.

41. IAPSO also continued to assist United Nations staff and field experts of eligible organizations, primarily with the supply of vehicles for private use to facilitate start-up of their assignments in programme countries. In 1995, this accounted for 9.5 per cent of total procurement, a decrease from 11.5 per cent in 1994.

Procurement training

42. During the period 1994-1995, IAPSO organized 10 training courses with 220 participants from United Nations organizations, UNDP country offices and other UNDP counterpart organizations. In November 1994, the first country-level training programme in support of national project execution was organized in Nairobi, Kenya and in 1996, similar courses were held in Kuala Lumpur, Malaysia, Lima, Peru and Harare, Zimbabwe, with the participation of UNDP country offices in the respective regions. All training is focused on increased professionalism in local and international procurement, in order to strengthen local capacities to handle procurement directly, in an efficient and accountable manner. The courses are self-financed, through a modest participation fee.

IV. FUTURE DEVELOPMENTS

43. In line with decision 95/28, direct procurement and training services will continue to be provided by IAPSO on a cost-recovery basis, while research, development and information activities, which are considered the core functions of IAPSO, should continue to be provided free of charge to United Nations organizations, financed by UNDP.

44. Notwithstanding the above, IAPSO has started to provide such publications as the General Business Guide and the UNCCS thesaurus for a modest fee to companies in industrialized countries. In addition, the compendium of basic specifications for emergency relief items is being provided upon request to the private firms at a fixed price per copy.

45. The long-standing efforts of IAPSO to streamline procurement operations while safeguarding the accountability and transparency required in the utilization of public funds provide the basic justification for the continued commitment to coordinated procurement with United Nations organizations. The recent decision to relocate the UNOPS Procurement Projects Division to Copenhagen opens new areas of potential cooperation between the two entities in several areas: the comparative advantages of IAPSO and UNOPS can be better utilized, by projects under national execution and through country offices, to offer high-quality and cost-effective services to the development community. Both IAPSO and UNOPS have already developed avenues of cooperation with the NGO community, which could be strengthened through joint marketing of services. The fact that IAPSO and UNOPS are to share common premises in Copenhagen should lead

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to the streamlining of both financial and administrative services, which would benefit both entities and provide the synergy for expanded activities.

V. 1994-1995 STATISTICAL DATA ON PROCUREMENT

46. As noted in paragraph 3 above, the IAPSO publication 1995 Annual Statistical Report has been distributed to the Executive Board separately. A summary of the information in that report may be found in the paragraphs below.

47. It must be noted that the term "procurement" refers to the acquisition of goods and services on the basis of country of purchase and not the origin of the item or service, since it has become increasingly difficult for United Nations organizations to report procurement statistics based on origin of goods and services. The statistics highlight results of procurement from developing countries and UMDs.

48. The 1995 report draws on information from 130 UNDP country offices and 35 United Nations agencies. However, it must be noted that some agencies are still experiencing difficulties in reporting, often linked to timing, inadequacy of computerized systems for statistical reporting and limited staff resources.

49. Total procurement of goods and services for 1994 and 1995 were almost identical, at \$3.67 and \$3.69 billion, respectively. Procurement from developing countries was slightly lower in 1995 than in 1994, but represents about one third of total procurement in 1995. Table 3 illustrates the developments.

Table 3. Procurement funded from all sources, 1994-1995

(In millions of United States dollars)

Procurement	1994			1995		
	Goods	Services	Total	Goods	Services	Total
Developing countries	908.8	408.1	1 316.9	687.8	557.7	1 245.5
Percentage	38.5	31.2	35.9	29.2	41.8	33.8
UMDs <u>a/</u>	167.3	47.4	214.7	147.0	61.2	208.2
Percentage	7.1	3.6	5.9	6.2	4.6	5.6
TOTAL PROCUREMENT	2 363.4	1 306.9	3 670.3	2 355.2	1 335.5	3 690.7

a/ Denmark, Netherlands, Norway and Sweden.

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50. Procurement under UNDP funding, which increasingly is carried out under the mode of national execution, has increased substantially, resulting in a lesser share of procurement originating in industrialized countries. Further delegated authority for procurement to field operations by United Nations agencies reinforces the trend. In 1995, an increase in procurement from UMDCs is recorded. Table 4 below illustrates the development over the past two years.

Table 4. UNDP-funded procurement, 1994-1995

(In millions of United States dollars)

Procurement	1994			1995		
	Goods	Services	Total	Goods	Services	Total
Developing countries	48.6	85.1	133.7	55.7	146.6	202.1
Percentage	46.0	69.8	58.8	38.7	91.6	66.7
UMDCs	4.5	2.2	6.7	10.3	1.5	11.8
Percentage	4.3	1.8	2.9	7.3	1.0	3.9
TOTAL PROCUREMENT	105.7	121.8	227.5	143.4	160.0	303.4

VI. EXECUTIVE BOARD ACTION

51. The Executive Board may wish to:

1. Take note of the report of the Administrator on the activities of the Inter-Agency Procurement Services Office in 1994 and 1995, and the contribution by the Office to coordination of procurement activities, improved transparency in operations and promotion of competition for contracts within the United Nations system;

2. Take note of the 1995 Annual Statistical Report on procurement by the United Nations system, and welcome the consolidated reporting of such data;

3. Recommend that IAPSO continue to explore ways to enter into arrangements for coordinated procurement with United Nations entities, drawing on the respective strengths of each entity.
