

**PRACTICES AND PROCEDURES AIMED AT A
MORE EQUITABLE GEOGRAPHICAL DISTRIBUTION
OF SOURCES OF PROCUREMENT
FOR TECHNICAL CO-OPERATION PROJECTS**

Prepared by

Tunsala Kabongo

Joint Inspection Unit



Geneva

1989

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TABLE OF CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. BACKGROUND AND EXPOSITION OF THE PROBLEM	1 - 11	1
(a) The problem	1	1
(b) Origin of the study	2	1
(c) Setting of the study: recent discussion in United Nations bodies	3 - 6	1
(d) Focus and methodology of the study	7 - 11	2
II. EFFORTS UNDERTAKEN BY THE UNITED NATIONS SYSTEM TOWARDS A SOLUTION OF THE PROBLEM	12 - 50	4
(a) Evolution of policy	12 - 20	4
(i) The under-utilized major donor countries	13 - 16	4
(ii) The developing countries	17 - 20	4
(b) Operations	21 - 49	5
(i) General	21 - 23	5
(ii) Identification of supply sources	24 - 36	6
(iii) Development of a reliable statistical data base on purchases	37	8
(iv) Decentralization	38 - 39	9
(v) Price preferential for indigenous goods and services purchased from developing countries	40 - 43	9
(vi) Financial regulations and rules	44 - 45	10
(vii) Target setting	46 - 49	10
III. CONCLUSIONS AND RECOMMENDATIONS	50 - 51	12
ANNEX		

I. BACKGROUND AND EXPOSITION OF THE PROBLEM

(a) The problem

1. Traditionally, goods and services procured by organizations of the United Nations system have been largely from the industrialized countries. The system has been working towards redressing this imbalance by seeking ways to increase procurement from the developing countries, and from those major donors who are perceived as not having a share of purchases commensurate with their overall contribution to programmes. Success has been limited.

(b) Origin of the study

2. The United Nations Development Programme requested the Joint Inspection Unit to consider preparing a study on the problem. Having considered the request, the JIU decided, in January 1988, to include in its work programme a study entitled "Practices and procedures aimed at a more equitable geographical distribution of sources of procurement for technical co-operation projects".

(c) Setting of the study: recent discussion in United Nations bodies

3. Some months prior to this, at the forty-second session of the United Nations General Assembly, the Second Committee had focussed on the subject. The result was a highlighting of the issue in the Assembly's omnibus resolution on operational activities for development (resolution 42/196 of 11 December 1987), particularly through operative paragraphs 27, 28 and 29 cited below.

"27. Requests the Director-General for Development and International Economic Co-operation to consult with recipient countries and the relevant funding and executing agencies of the United Nations system and make recommendations for innovative, practical and effective measures to increase substantially the procurement from developing countries in the operational activities of the United Nations system, taking into account the need for the full implementation of the preferential arrangements for these countries and making maximum use of national institutions and firms, and giving due regard to regional comparative advantages, consistent with the principle of competitive international bidding and maximum effectiveness;

28. Considers in that respect that the data base on which to assess procurement trends system-wide needs significant improvement, and requests the Director-General, in consultation with the executive heads of the organizations of the United Nations system concerned, to develop proposals for common practices within the United Nations system for the compilation and reporting of procurement information related to operational activities, including information on the sources of experts, training, services and equipment;

29. Affirms that all countries should have equal opportunities and access to the procurement process of operational activities of the United Nations system and that the flow of information on procurement opportunities, including competitive international bidding, and on countries' capacities and offers should be facilitated as appropriate and that the information should be made available to all interested countries, all of which would facilitate obtaining the desired increase in the procurement from all sources, including under-utilized donor countries;"

4. Shortly thereafter, in March 1988, the UNDP Administrator prepared a report (DP/1988/20) for the thirty-fifth session of the UNDP Governing Council which dealt with steps to increase procurement from developing and under-utilized major donor countries. As an adjunct to the report, procurement statistics for the year 1987 were provided in a separate document. These two documents were prepared by the UNDP Administrator pursuant to Governing Council decisions 87/19 of 18 June 1987 and 87/46 of 19 June 1987.

5. Having considered document DP/1988/20, the Governing Council, through its decision 88/20 of 1 July 1988, decided to call upon agencies of the United Nations system to continue to provide to the Inter-Agency Procurement Services Unit (IAPSU) full statistical information on their procurement activities and to cooperate fully with IAPSU with a view to enhancing the utility of this information. The decision also reaffirmed the need to take concrete measures towards achieving equitable geographic distribution of procurement through increased utilization of supply sources from developing and under-utilized donor countries, consistent with the principle of international competitive bidding and the procurement regulations of the United Nations system, and with maximum effectiveness, with due regard to the full implementation of the preferential arrangements for developing countries.

6. In an allied decision, 88/21 of 1 July 1988, the Governing Council recognized the efforts of IAPSU in promoting procurement from developing countries, including the production of country-specific binders providing information of goods and equipment available to the United Nations development system. The decision calls upon IAPSU to intensify its assistance to developing countries wishing to increase their involvement in the procurement activities of the United Nations system.

(d) Focus and methodology of the study

7. It is evident from the foregoing that JIU has been requested to address the problem at a time when old mandates have been reaffirmed and new mandates given, when the whole system has been galvanized into action, and when the Director-General for Development and International Economic Co-operation is preparing a report on the matter for submission to the forty-fourth session of the General Assembly. JIU's approach to the problem has accordingly been influenced by all these factors.

8. Document DP/1988/20 of 15 March 1988, mentioned above, is a factual presentation of what the United Nations system was doing through that date in its attempt to increase procurement from developing countries and from those major contributors to UNDP who are not perceived as enjoying an equitable share of the goods and services supplied to the Programme. The document does not however take an analytic look at these measures in order to assess both their potential and relative chances of success. The present JIU report attempts this. The report also comments upon, and assesses, where necessary, new approaches and problems experienced by the organizations since then. It suggests ways and means of making improvements in critical areas and makes appropriate recommendations.

9. In terms of the methodology used in preparing the study, a questionnaire was sent to all specialized agencies and organizations in the system, the replies to which provided the Inspector with updated information on the organizations' activities and measures taken by them.

10. The response to the questionnaire was good and the ideas and suggestions provided through this medium were valuable.

11. The Inspector visited the following United Nations organizations/offices: UNDP, including its Office for Project Services, UNICEF, the United Nations Department of Technical Co-operation for Development (DTCD) and the Office of the United Nations High Commissioner for Refugees. He also visited FAO, ILO, ITU, ITC, UNESCO and UNIDO. These organizations, together, account for approximately seventy per cent of the goods and services purchased by the system. The Inspector expresses his sincere appreciation to all for their contribution to the study.

II. EFFORTS UNDERTAKEN BY THE UNITED NATIONS SYSTEM TOWARDS A SOLUTION OF THE PROBLEM

(a) Evolution of policy

12. The imbalance in favour of the developed countries in supplying goods and services to the United Nations system has been recognized for more than three decades. It had been discussed continually in UNDP's predecessor programmes the Expanded Programme of Technical Assistance and the Special Fund. At that time, however, there was no sustained, systematic action to redress the disadvantageous position of the developing countries or those countries whose contributions to the Programme were considered under-utilized.

(i) The under-utilized major donor countries

13. In the late sixties and early seventies, with growing support for multilateralism and the UNDP, certain countries began to assume a larger share of the financing of the Programme at a time when the major contributor was reducing, comparatively, its financing. In the wake of this shifting of support came the realization that within the ranks of the developed countries (the major contributors to UNDP), certain major donors were supplying to UNDP programmes a volume of goods and services whose monetary value was, in relative terms, not commensurate with their overall contributions to the Programme.

14. Recognition first came through a build-up of the currencies of these countries which were not readily and fully convertible (at least in the form contributed to UNDP). Thus the UNDP was faced with a trio of problems: one, it was building up cash reserves it could not fully use (a currency management problem); two, UNDP was, as a result, not making optimal use of its resources for the purpose intended - the betterment of the lives of the peoples of the developing world; and, three, certain major donors were not getting what was perceived to be their equitable share of purchases made to carry out the Programme.

15. When these major contributors took the decision to increase their contributions and to ease convertibility arrangements, it was with an awareness that such action could ameliorate the first two problems. The third, however, would have to be the subject of special effort. Thus began a more intensive undertaking to increase the level of procurement from these countries which constitute the majority of the group that has come to be known as "the under-utilized major donor countries".

16. Action at the managerial level would appear to have preceded action at the legislative level since the Inspector finds the first official policy directive to increase the flow of goods and services from under-utilized major donor countries coming only in 1985. By decision 85/39, the UNDP Governing Council urged both its own Programme and the executing agencies to increase their efforts to expand the geographical distribution of the sources of supply, including under-utilized donors.

(ii) The developing countries

17. The developing countries did not have the quid pro quo described in paragraph 15. As a group, they were perceived early on as merely passive recipients of aid, not as contributors to their own development process.

Furthermore, developing countries presented, except in isolated cases, no problems of currency management. In any event, these soon vanished when addressed on a system-wide basis.

18. Nevertheless, recognition, at the policy level, that insufficient attention was being paid to increasing the level of procurement from the developing countries came much earlier in the context of fostering technical cooperation among developing countries. Increased procurement of indigenous goods and services was seen as one link in the chain of actions leading to the building of self-reliant economic societies.

19. The first UNDP decision on the subject was taken in 1976 when the UNDP Governing Council requested the participating executing agencies to cooperate fully with the Administrator of UNDP for the purpose of achieving practical application of technical cooperation among developing countries... and ... to give special consideration ... to ... the purchase of equipment and material from developing countries (decision 76/9). That decision also recognized the importance of having reliable data by virtue of its recommendation that the Administrator ... take the necessary measures for an early inclusion ... of appropriate information on equipment producers from developing countries in the (UNDP information referral) system - INRES. Other resolutions, pertinent or related, followed: Governing Council decisions 77/17, 77/42 and 80/46.

20. Thus, at the policy level, there has been a directive for 13 years to increase procurement from the developing countries, even if this directive came, obliquely, in the context of fostering technical co-operation among developing countries.

(b) Operations

(i) General

21. It has been reported that between 1975 and 1987 procurement has increased eight-fold from 2.5 per cent to around 20 per cent in the case of the developing countries and, in the case of the under-utilized major donor countries stood at roughly 11 per cent in 1987. Progress, the agencies say, has not come easily. They work hard at the job but, they assert, constraints are real. Indeed, these constraints, in respect of the developing countries, have been reported to the Governing Council by the Administrator in document DP/1987/19 (see annex). In the case of the under-utilized major donor countries, uncompetitive prices and the unresponsiveness of suppliers to invitations to bid are cited as particular difficulties. Nevertheless, Member States remain unsatisfied with results so far. In light of this, there has been, in the last three or four years, a flurry of activities and a battery of actions which seek to turn the situation around.

22. Member States are now fully aware that in a sense the United Nations system as a whole has gone into action and know what it is doing. While it may be tempting to sit back and await results, steps currently being taken need to be analyzed and constantly monitored to be sure that the greatest possible effort is concentrated on key areas and that time, energy and money are not wasted on less productive areas of endeavour. To this end, the various action points will be assessed and those steps requiring priority attention will be identified.

23. The system has been travelling along a number of paths, both direct and indirect, to attain its objective. The steps are by now familiar having been described in document DP/1988/20 and in a report of the UNDP Administrator to be presented to the thirty-sixth session of the Governing Council. There are, nevertheless, a number of important actions which merit attention and comment.

(ii) Identification of supply sources

24. The UNDP, through its Governing Council and IAPSU, has been a motivating and catalytic force in moving the system along in several areas. The identification of supply sources (and supplies) in developing countries is one of the more important since the dearth of such information is considered an obstacle on the road towards the objective of increased procurement from these countries. The Inspector gathers that within the next four years supply data could be gathered for some 15 to 20 countries and such information organized and stored in a data bank easily accessible to procurement officers and other users. He is impressed by the catalogues produced so far which have a recognized value beyond procurement by the United Nations system since they can be used by governments in their export promotion efforts, and by aid organizations including NGOs.

25. One could question the choice of countries, or for that matter any choice that were made, but what appeals to the Inspector is that practical effect has been given to a recognition that the developing countries function at different levels of capacity and capability and, therefore, it makes good managerial sense to limit the number of countries and to establish target countries.

26. Whilst the Inspector recognizes and supports this initiative as one that would produce benefits in the intermediate to long term, he believes that more immediate results will be obtained if current data are exploited more intensively. For example, he would want to believe that IAPSU as well as the system's procurement officers must be aware of a goodly number of common-user items which are available in developing countries but which continue to be purchased from developed countries for a variety of reasons, and which, therefore, could be targetted for investigation and eventual purchase from developing countries. Products might include vehicles, office equipment, construction equipment and tools. Such an approach should produce quicker results and be less costly. Therefore, an immediate advantage could be gained in identifying specific, big-ticket items (even items of smaller value) and matching them to developing countries rather than searching out what is being produced. Casting too wide a net to identify sources of supply might be politically expedient but it is economically unsound. It might broaden the geographic base but it might not necessarily lead to an increase in total procurement from developing countries.

27. As the Inspector is not entirely persuaded that the current data have been sufficiently explored he sees as a first step the fullest exploitation of available information. When this has been done, targets could be set for products as well as for supplying countries.

28. There is a further reason why the identification of supply sources should be approached with a degree of reserve. It is axiomatic that supply (in the current context, provided by the agencies through their suppliers) 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. In this connection the Administrator's report (DP/1988/20) had this to say:

"Some agencies make reference to a degree of resistance within recipient Governments to accept project inputs from other developing countries, a constraint which must be overcome if the agency efforts are going to produce the desired results" (paragraph 11);

"It is regrettable to note that Government officials in certain developing countries often prefer to pay a premium for procurement in traditional industrialized countries because of the perceived higher quality of the products" (paragraph 12); and

"It is worthy of note that both agencies and resident representatives independently mention the resistance of developing countries themselves to the procurement of goods and services from developing country origin as a constraining factor" (paragraph 13).

29. Two years earlier, in a similar report (DP/1986/24), the Administrator had drawn attention to "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" (paragraph 5 (a)).

30. The Inspector cites these many statements because they would seem to impugn, at least on the surface, the imbalance in the attention being paid to supply identification over a demand-oriented strategy as a means of increasing procurement from the targetted groups. Given what has been cited above about the attitudinal barrier, the following two questions would seem pertinent: When supply has been identified, at no small cost, will there be demand? Will reluctant governments magically change their attitudes when confronted with a long list of goods and services which any particular developing country can provide?

31. The answer is obviously no. Thus it would seem prudent, in terms of time, money and energy, to mount a concentrated effort by the executing agencies and UNDP (through its resident representatives) towards gaining acceptance of developing country products by recipient developing countries. Failure (if there is), should be carefully documented and brought to the attention of the High Level Meetings on Technical Cooperation among Developing Countries and the Governing Council to determine whether the game is worth the candle.

32. A Member State benefitting from a technical cooperation project can influence the choice of suppliers. This applies both to government-executed projects and those carried out by the specialized agencies. Thus, if those who have the power of decision in this regard cannot be persuaded that the interest of their country as well as the interests of developing countries in general will be ultimately served (as an impetus to self reliance) by a shift in purchasing habits, the Inspector is convinced that the game is lost before it is begun.

33. It needs to be stressed that the issue is not merely one of a change in attitude or psychology. Governments say, with some justification, that in general:

- the quality of equipment from developing countries matches that of developed countries less often than desired;
- there is uncertainty concerning warranties on such equipment;

- it is difficult to obtain after-sales service and spare parts from developing countries supplying the equipment; and
- there is difficulty in obtaining goods promptly from developing countries and there is a general failing to observe delivery deadlines due to problems relating to transport between developing countries.

34. These accusations, where true, can neither be wished away nor erased by platitudes. Agency and resident representatives, working as a team, must, in individual cases, whenever necessary, set aside the worst fears of governments through hard facts that, in the particular case at hand, their fears are unfounded. The Inspector believes that it is the best and perhaps the only viable way to succeed. It may be the toughest because it has to be devoid of generalities, and of appeals to emotion for developing country solidarity, although this latter point may not be without merit. It must also be persuasive enough to win over national managers and to convince them, in cases where equipment is a key component of a project, that use of such equipment will not lead to failure, thus leaving these managers open to criticism or worse.

35. The Inspector therefore recommends that a joint strategy in line with the above be developed by the UNDP and Agency secretariats, together with their field representatives, and put into action as the key step in increasing procurement from the developing countries.

36. Despite what has been said above concerning the attitude of governments (personified by national programme managers), it occurs to the Inspector that the assertion is not to be laid entirely at the doorstep of governments. International project managers are a powerful influence in the final determination of the source of equipment and should be recognized as such. The citation in paragraph 29 does attribute a role to them but understates that role. Recognition must be given to the fact that international personnel are themselves attracted towards the products, facilities and services of developed countries through familiarity among other reasons. None the less, such personnel have, over the years, gained considerable experience in different developing countries and this experience could be positively brought to bear on the choice of suitable products from these countries. Thus, the Inspector is of the view that greater attention must be paid to the influence of international project personnel, as well as Headquarters' technical staff, on the choice of equipment. The situation should be addressed at the highest level within organizations.

(iii) Development of a reliable statistical data base on purchases

37. IAPSU has been entrusted with the coordinating role for this extremely important endeavour. The Inspector understands that there has been some difficulty, to date, in compliance by some agencies with UNDP Governing Council decision 87/19 (echoing General Assembly resolution 39/220) which requested agencies to ensure that the statistical data they submit reflect both country of procurement and country of origin as well as source of funds. The Inspector understands that there are a number of obstacles to be overcome but that solutions are being worked out. He is anxious to see them realized soon, for whilst it is obvious that the gathering and reporting of statistical data cannot by itself influence the level of purchases from either the developed or the developing group of countries, data which are consistent and are reported upon regularly may reflect trends directly influencing the purchasing objective sought.

(iv) Decentralization

38. Many agencies have increased the level of purchases which can be made by their field offices without prior Headquarters' approval.

39. The JIU has for several years pushed for a conferring of greater authority and responsibility on offices away from Headquarters. It has considered this to be one way of speeding up the decision-making process and of getting swifter action at the operations level. The Inspector, therefore, deems this move a welcome sign, one which will have the certain effect of getting goods and services on site in more timely fashion, at less risk. Nevertheless, the Inspector would like to sound two notes of caution. First, whilst decentralized authority to field offices for an increased level of purchasing may well lead to an improvement in the monetary value of goods and services purchased in developing countries, it may not necessarily lead to an increased volume of goods and services from developing countries. This point relates to the "country of origin" issue recognized earlier in the discussion of statistical data. Second, prices of such goods and services in developing countries (particularly where there is a high foreign content) may well be much higher than those quotable under possible alternative arrangements. Consequently, this encouraging and welcome relaxation of central control should be watched carefully in terms of the possible superfluous cost to programmes.

(v) Price preferential for indigenous goods and services purchased from developing countries

40. In the context of the TCDC mandate, Governing Council decision 77/42 of 30 June 1977 requests the Administrator, United Nations participating and executing agencies and regional commissions to grant, with the approval of a recipient country, preferential treatment up to 15 per cent of the purchase price in respect of local procurement of indigenous equipment and supplies of developing countries (operative paragraph 18). Nine years later, the Governing Council stressed that the agencies should observe the 15 per cent price preference in favour of procurement from developing countries in all projects financed by UNDP (decision 86/25 of 27 June 1986, operative paragraph 4).

41. It has not been made clear to the Inspector how solid an effort executing agencies have made to implement the above decisions. He has, however, been left with the impression that results have not been encouraging.

42. The Inspector has been given to understand that recipient governments have balked at the additional 15 per cent cost. This comes as no surprise. If there is any validity to the assertion that these governments prefer, for whatever reason, goods and services produced in the industrialized countries and, as stated in paragraph 28, are willing to pay a premium for such goods and services, the question may legitimately be asked why then would they be willing to pay a premium for goods and services they would rather not have in the first place. From this perspective, the 15 per cent premium would appear unlikely to succeed.

43. The Governing Council's decision to authorize a 15 per cent price preferential makes perfect sense when viewed as giving an edge to the supplying developing countries. But when the coin is reversed, it leads to difficulty under the present system of programme financing where the recipient countries' budgets are charged with the full cost of goods and services including the 15 per cent premium. If, then, the preferential pricing scheme

is to have a fair chance of success and not remain a disincentive, a new measure must be introduced. In the case of UNDP projects, the individual project budget must be disburdened and a suitable home for the premium found elsewhere. The alternative is clear: failure of the preferential scheme. If, therefore, the UNDP Governing Council would deem the scheme worth continuing, and the Inspector favours this in the context of TCDC aims, one of the following financing alternatives could be chosen:

- charge any appropriate current reserve account, widening its provisions if necessary;
- set up a special reserve by charging the Programme's general resources at the beginning of each new quinquennial IPF cycle;
- charge the Programme's general resources at the end of a financial year or at the end of each IPF cycle.

There may, of course, be other alternatives unknown to the Inspector.

(vi) Financial regulations and rules

44. It has also been made known to the Inspector that organizations feel themselves handicapped in carrying out the preferential scheme because the requirements conflict with their financial regulations and rules. The Inspector does not quite understand why this should pose an insurmountable problem vis à vis organizations' financial regulations and rules since these normally provide for exceptions or modifications to competitive bidding, among other exceptions. To cite one example, in the case of the United Nations there are eight general exceptions to calling for bids or proposals. Moreover, General Assembly resolution 32/182 of 19 December 1977 had requested the Administrator of the UNDP and the executive heads of participating and executing agencies... to formulate for approval, as appropriate, by the inter-governmental bodies concerned, suitable changes in their rules, regulations, procedures and practices for recruiting experts and consultants, placing fellows, awarding subcontracts and procuring equipment and supplies in order to utilize fully the capacity of and develop the potential existing in developing countries (operative paragraph 4).

45. The Inspector suggests that any remaining impediments to the implementation of the above objectives should be removed by causing financial regulations and rules to be amended either by the executive heads of the organizations, where possible, or by the legislative bodies of the organizations affected.

(vii) Target setting

46. One of the things which particularly struck the Inspector was the absence of a widespread use of targets among the executing agencies. It came to him as a surprise also that the system had never set itself an overall goal but continued to speak in an abstract way about increasing procurement from desired sources.

47. The Inspector makes mention of this because, as was seen in paragraph 21, procurement stood in 1987 at 20 per cent and 11 per cent for the developing countries and for the under-utilized major donor countries, respectively. If the increase over time to today's level of procurement is inadequate, what

then is considered to be a desirable level? At what target should the system aim? Is the system ready to accommodate a dramatic shift away from the developed countries to developing countries?

48. In this connection, the Inspector was particularly pleased to learn of the following decision taken by UNIDO's Industrial Development Board at its Fourth Session in October 1988:

"d. Requested the Director-General to have recourse to the greatest possible extent to experts, services and equipment from developing countries in technical cooperation projects of UNIDO in order to substantially increase - to a minimum share of 25 per cent - the share of the total contract value and equipment purchased by the Organization from those countries, in the shortest possible time." (IDB.4/Dec.15).

49. The Inspector is of the view that the United Nations General Assembly and/or the UNDP Governing Council should establish realistic goals for both the developing countries and the under-utilized major donor countries. These goals would be subject to periodic review. They would serve as a guide for each organization to establish individual targets pegged at a level consonant with the circumstances particular to that organization. Within its developing countries' target, each organization might consider it useful to establish regional targets. Executive Heads would be requested to report periodically to their governing bodies on progress made.

III. CONCLUSIONS AND RECOMMENDATIONS

50. The following key actions must be addressed immediately if there is to be a speeding up of progress towards the system's general objective:

- First, the general objective must be made specific through quantification so that the system can set its sights on, and, having developed and introduced the most appropriate tactics, move towards a defined target.

The General Assembly and/or the UNDP Governing Council should establish specific procurement targets for both the developing countries and the under-utilized major donor countries (paragraphs 46 to 49).

RECOMMENDATION ONE;

- Second, the principal effort must be demand-oriented. The attitude of governments, international personnel and national project managers towards goods and services from developing countries must change;

UNDP and its executing agencies should develop a joint strategy to alter the attitudes of governments and international project personnel as described in paragraph 34 (paragraphs 28 to 35). RECOMMENDATION TWO;

- Third, a number of common-user products should be selected immediately for target purchasing (paragraphs 26 and 27).

RECOMMENDATION THREE;

- Fourth, there should be a reaffirmation by the executive heads of the organizations of their commitment to the objective established and this commitment should be made known to those intimately concerned with carrying out actions to solve the problem, in particular to technical staff of Headquarters' substantive departments and to international project staff, both of which groups can influence procurement directly, and to procurement officers (paragraph 36). RECOMMENDATION FOUR;

- Fifth, executing agencies must ensure that their data base includes information on the country of origin of goods and services procured. Such information should be sought from suppliers as a regular feature of the procurement action (paragraph 37). RECOMMENDATION FIVE.

51. The above five key actions should be supplemented by other important but less immediate actions. Several of these are underway or have been suggested to the Inspector as useful.

- The compilation of country supply catalogues should continue.
- There should be a continuous effort through field representatives, chief technical advisers, project managers and national directors to identify sources of supply in developing countries.
- Information and training meetings and seminars for potential suppliers should continue to be organized.

- Project documents could identify equipment for purchase from the target groups.
- Increased contact and cooperation between organizations of the system and Chambers of Commerce, Trade Councils, etc., should be encouraged.
- Procurement offices should be involved at the project formulation level and not after the document has been signed.
- Invitations to bid or price comparisons should, to the extent possible, include suppliers from the target groups.

ANNEX

Constraints to procurement from developing countries*

"Efforts to increase procurement from developing countries are beset with a number of constraints - some on the part of the United Nations system and the others in the developing countries. These are:

(a) Inadequate knowledge in the United Nations system and relative difficulty in identifying competent and experienced consulting engineering organizations and reliable manufacturers and vendors in the developing countries;

(b) Conditioning, attitudes and inertia of international project staff and procurement officers who have been accustomed to certain types of equipment and services from established sources and their reluctance to try out untested sources in developing countries;

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

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

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

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

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

(h) The changing content of the equipment component of projects reflecting their high-tech nature;

(i) Attitudes in some developing countries that may favour goods and services from developed countries or maintain the traditional sources; and

(j) Considerations concerning standardization, warranties, start-up, training and availability of after-sales service, including long-term arrangements for spares, which sometimes preclude participation of suppliers and manufacturers from developing countries."

* Source: DP/1987/19, paragraph 7.