

**PUBLIC PROCUREMENT FOR ALL:
AN ANALYSIS OF THE UNITED NATIONS SYSTEM**

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ABSTRACT. Although there has not been enough public and academic attention paid to procurement of the United Nations System, procurement is essential for the operations of these organizations and can be a common concern for both donors and recipients. In other words, it is important “for all”. This paper first analyzes the basic statistical figures, the budgetary implications, independent and decentralized features, and inter-agency procurement mechanisms. Based on such basic understandings, detailed analysis is conducted from both organizational and operational aspects. Through these analyses, substantial efforts and challenges are made clear such as: location and decentralization measures, oversight measures, staff matters especially including training, use of Limited International Competition and Long Term Agreement, challenges for e-procurement and socio-economic environmental policy.

INTRODUCTION

Public procurement can save lives. It may not be a common notion but it is also not an exaggerated remark at all when we observe procurement operations of the United Nations System¹ (herein after, the UN System). In the case of humanitarian operations and PKO, many people’s precious lives often much depend on the success of international constructive engagements. They can only succeed not only through procuring finance, human resources, and authority but also through procuring necessary goods and services such as delivery services. Not

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limited to these two areas, the importance of procurement can be observed at various areas of the UN System activities such as development and technical assistance, and also at the internal management of the organizations. Therefore, although procurement does not draw much attention compared to forums and activities such as Security Council and General Assembly, procurement operations, in fact, significantly support activities and management of UN System organizations.

UN System organizations consist of nations. Each nation, hereafter referred to as member state, makes contributions to the organizations, although the amount differs depending on the wealth of each country. As we can see in the Overview, procurement occupies a significant portion of the expenditure in the UN System organizations. So, even for some individuals who take on a critical stand towards international humanitarian cooperation and solidarity, procurement of UN System organizations can be their concern at least in terms of efficient use of their tax money. Therefore, it is not so exaggerated to say that this theme is a matter “for all” including both donors and recipients, even though the weight and attentions would be different between people in need and not in need of UN organizations’ precious help. Therefore, though the amount of procurement is quite small compared to national procurement, there are still both academic and practical significances and needs to analyze the UN System procurement.

Based on the reasons stated above, this paper is intended to tackle on this theme in order to clarify and provide basic understandings, difficulties, efforts and future challenges mainly from administrative and management viewpoints. Due attention has been paid on the comparison with national procurement.

This paper consists of three parts. First is the Overview of the UN System procurement. Here, statistical basic information and its implications are analyzed. Also, inter-agency coordination and cooperation mechanisms are observed. Through these analyses, we can know that the high portion of actual procurements is done by each organization. Actually, the UN System is independent and decentralized in terms of procurement aspect. Therefore, procurement operation at the individual organizational level is important.

The second and third parts focus on organizational and operational issues on procurement of individual organization, based on the

understandings and findings outlined in the Overview. The method of analyzing each individual organization one by one is not taken because there are many organizations in the UN System and procurement amount varies widely. Instead, some critical points are raised at the top of second and third parts. These points are analyzed based on the research findings of individual organization procurement activities. As such, cross-organizational analysis becomes possible.

Though not limited, due attention shall be paid on the three major procurement organizations: UN, WFP and UNICEF. These three occupy more than half of the total UN System's procurement volume. Procurement of these organizations has typical features of the UN System procurement, especially compared to national procurement. That is, all these three organizations conduct their activities in various places and they are quite far from the headquarters. These organizations conduct various emergency operations and timely procurement is vital. That is why focusing on these organizations is valid in this theme. In addition, two organizations: IAPSO (a part of UNDP) and UNOPS are partly focused.

After these analyses, in the Summary, topics of the UN System covering: the significances, basic structure, difficulties confronted, efforts to tackle on them, and future challenges procurement are summarized.

METHODOLOGY

The main characteristic of this paper's methodology is the review and analysis of the official documents. One of the reasons behind this is because of the scarcity of previous comprehensive academic researches conducted on this theme. However, there is a better reason. Although there are only few comprehensive official documents dealing with this matter, there are many useful documents analyzing the UN System procurement from various viewpoints depending on practical needs of each organization. In addition, to acquire real implementation and current issues more clearly, several interviews were conducted at various UN System organizations in New York, Geneva, Copenhagen and Rome. This paper shows some results of these interviews.

OVERVIEW

Basic Information and its Implications

Table 1 shows the overview of the UN System procurement. From this Table, it can be known that the total amount of procurement in the UN System was approximately US\$ 5.1 billion in 2003. Although the procurement amount is quite small compared to national procurement, it is nevertheless substantial for these international organizations.

Procurement in the UN System consists of approximately US\$ 3.5 billion of goods and US\$ 1.6 billion of services. Actually, huge amount of procurement is conducted for emergency humanitarian assistance and PKO operations. The main contents of procurement are food, transportation services, medicines and vaccines, agricultural equipments, information communication technology equipments and services, and office equipments.

Since procurement has close relations especially with budgetary management, financial resource information (summation of regular and extra budget) was added to the Table and it was compared to the procurement amount in order to estimate the comparative budgetary importance that the procurement has. From this statistics, it has become clear that procurement amount is equivalent to about 43% of the total financial resources of the entire UN System organizations. Although there are other financial resources used for procurement, considerable portion of the budget is spent on procurement. Here, the importance of procurement is apparent in terms of not only individual project and program implementation but also fundamental administrative and budgetary management for UN System organizations.

The procurement amount has increased recently. According to statistical data from IAPSO that will be mentioned later, the amount was only about US\$ 2.9 billion in 1996. Since then, the amount has constantly increased and in 2003 as the Table indicates, it was about US\$ 5.1 billion. In 2004, the amount reached even up to about US\$ 6.4 billion. The main reasons behind this are the increases in large scale PKOs as well as in the increase in humanitarian and reconstruction activities, especially in some African conflict countries, Iraq, Afghanistan, and Kosovo.

TABLE 1
Procurement by the United Nations System Organizations and its
Relations with Financial Resources in 2003

ORGANIZATIONS	PROCU- REMENT TOTAL (thousands US\$)	PROCU- REMENT BY EACH ORGAN- IZATION (%)	PROCU- REMENT IN DEVEL- OPING COUN- TRIES (%)	TOTAL FINANCI- AL RESOUR- CES (thousands US\$)	COMPA- RISON WITH PROCU- REMENT VOLUME (%)
WFP(World Food Programme)	1,057,880	20.81	50.67	3,713,228	28.49
UN(United Nations)	1,012,640	19.92	32.98	1,860,674	54.42
UNDP(United Nations Development Programme)	821,890	16.17	73.44	769,882	106.76
UNICEF(United Nations Children's Fund)	709,310	13.95	35.13	1,193,360	59.44
FAO(Food and Agriculture Organization)	378,720	7.45	52.31	789,320	47.98
WHO(World Health Organization)	329,500	6.48	25.45	1,065,809	30.92
UNOPS(United Nations Office for Project Services)	146,410	2.88	27.70	0	N/A
UNRWA(United Nations Relief and Works Agency for Palestine Refugees in the Near East)	120,610	2.37	79.10	424,885	28.39
UNFPA(United Nations Population Fund)	94,770	1.86	35.20	288,527	32.85
UNHCR(Office of the United Nations High Commissioner for Refugees)	90,660	1.78	32.37	928,866	9.76
ICAO(International Civil Aviation Organization)	69,770	1.37	5.63	164,419	42.43
IAEA(International Atomic Energy Agency)	68,720	1.35	10.25	370,924	18.53
WIPO(World Intellectual Property)	66,030	1.30	2.51	222,172	29.72
UNIDO(United Nations Industrial Development Organization)	49,430	0.97	57.65	163,011	30.32
UNESCO(United Nations Educational, Scientific and Cultural Organization)	26,060	0.51	52.26	589,822	4.42
ILO(International Labour Organization)	22,170	0.44	83.68	361,751	6.13
ITU(International Telecommunication Union)	14,100	0.28	91.73	116,681	12.08
WMO(World Meteorological Organization)	5,610	0.11	25.74	73,105	7.67
IMO(International Maritime Organization)		Data not listed		32,627	N/A
UPU(Universal Postal Union)		Data not submitted		21,731	N/A
WTO(World Tourism Organization)		Data not submitted		12,330	N/A
TOTAL	5,084,290	100.00	45.06	11,874,989	42.82

Notes: This Table was created based on the information found in the following two documents: (IAPSO, 2005) and (UN, 2004). IAPSO is contained as a part of UNDP. PHAO (Pan American Health Organization), IFAD (International Fund for Agricultural Development), and ITC (International Trade Centre) are contained in WHO, FAO and UN respectively. For further details, please refer to the above two documents.

As shown in Table 1, it is clear that the amount of procurement differs widely depending on the organizations. The major procurement organizations are WFP, UN, UNDP (containing IAPSO) and UNICEF. These organizations have a common characteristic in their main operational style. That is, all organizations not only perform their main activities in the headquarters but also in the field of the developing countries. Such activities include not only just managing conferences but also directly assisting people in need of help.

Despite the fact that almost all headquarters of these organizations are located in developed countries, procurement in developing countries occupies quite a high percentage (about 45% in 2003). The decentralization measures from headquarters to regional and field offices can be found behind this figure. This tendency is observed in the Organizational Issues of this paper. The percentage of procurement in the developing countries differs very much depending on the organization (IAPSO, 2005).

In addition to the findings of this statistical basic information stated above, one of the most important characteristics of the UN System procurement is that the basic structure of the UN System's procurement operation is independent and decentralized. From the Table and the above analysis, it is apparent that there is no central procurement implementation agency. Furthermore, actually, the UN System does not have any actual strong central strategic procurement policymaking body. Therefore, a detailed individual organizational level procurement analysis is required.

Inter-Agency Mechanisms

Before moving to the analysis of procurement in individual organizational level, some of the major inter-agency procurement mechanisms need to be analyzed.

The most important inter-agency procurement mechanism in the UN System is IAPWG (Inter-Agency Procurement Working Group), which is a procurement specialist forum. IAPWG is an informal consultation body of the head of procurement section of UN System organizations established in 1976 by UNDP. IAPWG's mandate is to coordinate the organizations' procurement management and its activities. The meeting is held once a year at various places with seminar session for the host country suppliers.

IAPWG has dealt with various procurement matters including the Common Procurement Guideline issued in 1996 (analyzed in detail later), procurement coordination of common-user item, collective price arrangement and its standardization negotiation, diversification of procurement sources, procurement promotion from developing countries, harmonization of procurement procedures and promotion of business opportunity (UNDP, 1995). UNGM (UN Global Marketplace) is a very important achievement example that provides supply source information to UN System organizations (<http://www.ungm.org>). The role of the secretariat of IAPWG has been performed by IAPSO (Inter-Agency Procurement Service Office) since 1978. As IAPWG itself is just a forum, the actual implementation is designated to IAPSO and other UN System organizations. IAPSO is a part of UNDP and it holds both procurement coordination and procurement service functions.

Location-based common procurement mechanisms are also worth mentioning. It is notable to mention that though there are many organizations within the UN System, most of these headquarters are located in either New York or Geneva. In Geneva, the Joint Purchase Service located within the UN Office at Geneva has been active for long time. According to the procurement official in charge, this common procurement mechanism is important to realize the economy of scale. Through this scheme, various goods and services are procured jointly including; paper, furniture and information technology services. In New York, the Task Force on Common Services, Procurement Service Working Group was established based on the initiative of the UN Secretary General in 1997. However, according to several my interviews, it has been made clear that the Task Force no longer exists (JIU, 2004).

In addition to these coordination mechanisms, there are two procurement service agencies, which are IAPSO and UNOPS. They are the important means for other UN system organizations to be able to request procurement implementation on their behalf when they wish. IAPSO procures automotive products, anti-tuberculosis medicines, technical and IT equipment, and freight and transportation services (IAPSO, 2006). UNOPS (UN Office for Project Service), formerly named PED (Project Execution Division), was established by UNDP in 1973 to strengthen project implementation ability of UNDP. After various discussions, in 1995, its status was stabilized as an independent agency to provide procurement and project management services to UN System organizations and to other entities including governments

(Dijkzeul, 2000). According to the most recent statistics received from UNOPS, the most major procurement categories are construction as well as engineering and services. It also procures office IT equipments, motor vehicles, machinery, transport and logistics service. Security service, elections, peacekeeping and mine action services are important procurement contents.

These two organizations are very unique because both are self-financing entity. IAPSO and UNOPS procurement offices are both located in Copenhagen and actually, UNOPS headquarters was originally located in New York before it was relocated. However, procurement service amount of these two organizations is not so big within the total UN System. IAPSO procured about US\$ 90 million in 2003, occupying 1.77% of the total UN System procurement, and US\$ 141 million (2.20%) in 2004. UNOPS procured about US\$ 146 million (2.88%) in 2003 and US\$ 390 million (6.05%) in 2004 (IAPSO, 2005).

Although inter-agency procurement mechanisms such as: IAPWG, location-based common procurement mechanisms, and procurement service agencies are important, they are neither a strong central procurement policymaking body nor an integrated procurement implementation body. The realization of effective inter-agency procurement coordination and cooperation has been a long-term basic agenda and also a main challenge for the UN System procurement.

ORGANIZATIONAL ISSUES

As for organizational issues, because many major UN System organizations have operational fields and the fields are normally far from the headquarters, not only the status of procurement function on headquarters level but also on regional and field level need to be observed. Decentralization and increase of field and regional procurement are further analyzed. Also, oversight and staff matters are examined as very critical organizational issues.

Status and Location of Procurement Function

In regards to the status of the procurement function, many organizations have a central procurement section although their status varies depending on each organization. For example, UN has a central procurement function called Procurement Service within the Department

of Management in New York. In many organizations, such a central procurement function often lies within management or financial department, though independent status and location can be observed such as the case in UNICEF.

However, not all organizations take on a central procurement arrangement. WFP is a unique example. Food procurement is implemented on the operational side. On the other hand, procurement of other goods and services is implemented on the management side (Interviews). According to JIU, ITU also takes on product-based decentralization of procurement activities. It has four separate units namely: in-house administration goods, ICT products, development projects and TELECOM exhibition activities (JIU, 2004).

Location of procurement function is more important in the case of the UN System rather than in the case of national procurement administration because the UN System conducts activity all over the world and the operation often needs to be done swiftly. From the following analysis, functional locations and various aspects including prompt supply, availability of goods and services, location costs, and geographical equity consideration of procurement are found to be important factors in selecting location.

Let us check the headquarters level location first. Interestingly, the procurement section of some organizations is not located within its headquarters. Notable examples are UNICEF/Supply Division, UNDP/IAPSO, UNFPA/Procurement Service Section, and UNOPS/Division of Procurement Services. Quite interestingly, these four organizations' procurement sections are all located in Copenhagen, while their headquarters are located in New York (UNOPS has decided to move its headquarters to Copenhagen in December 2005). Actually, Copenhagen is one of the biggest "procurement bases" for the UN System.

Then, why is Copenhagen so prosperous in procurement function? We can see several reasons from the relocation of UNICEF UNIPAC (UNICEF Packing and Assembly Centre), the predecessor of Supply Division, in 1962 from New York. At that time, UNICEF tried to find an appropriate location in Europe. Copenhagen was selected because of the convenience of logistics, availability of transportation services from international cargo company, availability of goods like Penicillin for

tuberculosis, availability of stable workload and a generous offer of land from the government of Denmark (UNICEF, 1992).

It is apparent from the case of IAPSO that the relocation of procurement function to Copenhagen has not only operational and economic consideration but also political consideration. According to the UNDP official document, we can understand that the relocation of IAPSO in 1989 from Geneva to Copenhagen was “in direct response to a request for measures to achieve more equitable geographical distribution of procurement through increased utilization of supply sources from underutilized major donor countries, in particular the Nordic countries and the Netherlands” (UNDP, 1995). In return for such a generous contribution to these UN System organizations, Denmark could get not only more procurement supply opportunity but also more employment opportunity.

Locations of regional level procurement function are sometimes quite functional. Notable cases are organizations conducting field activities. Various regions and countries are often far from the headquarters, such as UNICEF, UN, UNOPS and UNHCR. Different from Copenhagen, the locations vary widely depending on each organization.

UNICEF established regional supply centers in Ankara and Pretoria in 1998. The Ankara Centre was created to procure supplies including educational kits for the Oil-For-Food Programme. The Pretoria Centre was set up to source suppliers of bed nets and insecticides as part of the Roll Back Malaria initiative. Both centers quickly expanded to provide a wider range of supplies to UNICEF offices (UNICEF, 2003a).

In terms of UN, Logistic Base in Brindisi is quite a notable special organizational arrangement for PKO procurement as well as logistics and storage. Brindisi is a military port in the southeast coast of Italy. The location was selected based on the Italian government’s generous offer of the land for UN. The commodities procured for PKO is stocked there and it enables the prompt initial deployment of PKO. It also stocks used procurement equipments from prior missions (UN, 2000).

In the case of UNOPS, the geographical importance of the Middle East can be found. According to my interviews, UNOPS established its procurement base in Dubai in the summer of 2005. In and around the Middle East, there are major UN operation countries like Iraq,

Afghanistan and Pakistan. Also, the Middle East is a convenient location for covering both Asia and Africa at the same time. Actually, it takes only less than 5 hours to fly to all the major operational areas. Although business environment and security are sometimes unstable in the Middle East, Dubai is relatively very stable among this region. Therefore, UNOPS regard it as a permanent supply base.

In terms of UNHCR, the location of procurement bases is concentrated in Africa because it is the biggest operational region. There are five Regional Supply Offices and three are in Africa namely, Nairobi (Kenya), Pretoria (South Africa) and Accra (Ghana). Incidentally the other two are in Jakarta (Indonesia) and Skopje (Macedonia). Also, the Beijing Office was established to support the headquarters' international procurement. From the UNHCR's case, we can see the importance of not only in the convenience of location but also in the political and social stability, security and host country support. Until recently, western Africa Regional Supply Office was located in Abidjan (Côte d'Ivoire). However, in order to pursue more stable operation, it was relocated to Accra.

Decentralization Measures and Procurement in Developing Countries

Procurement decentralization is an important and a challenging matter. Many UN System organizations have delegated authority to their respective country offices to undertake procurement up to a certain financial limit, varying by agency, from US\$ 5,000 up to US\$ 100,000. Local procurement by peacekeeping missions is authorized up to US\$ 200,000 for larger missions. As developing countries become more self-reliant in managing their own technical cooperation, there is an increase in national execution of projects and programs, including procurement of necessary goods and services (IAPSO, 2006).

Procurement in developing countries and countries in transition are quite high in the UN System. In the recent decade, it occupied around 35% to 45% of the total procurement amount. That percentage varies by a large margin depending on each organization. As shown in the Table, there are wide differences even among organizations with field activities (IAPSO, 2006).

Due to the procurement decentralization and procurement in developing countries, organizations can expect a reduction in transportation cost and delivery time compared to international procurement. Also, local goods and services sometimes tend to be more

suitable than the internationally procured ones, once the matter of quality is overcome. For example, in the case of WFP, local or regional procurement sometimes fits more the eating habits of the recipients, as in the case where wheat and maize are procured for many African peoples rather than rice. It also helps the development of related industry in the developing countries except for emergency situations.

In order to implement such decentralization measure, development of market is essential. For example, the pharmaceutical industry and other health related industries are growing in developing countries especially in India, South Africa, Thailand, Turkey, Indonesia and so on. Local procurement has advantages in training, after-sales service, guarantee, and acquisition of spare parts (Interview and UNICEF, 2003b). That is an important reason behind why UNICEF could increase its procurement in developing countries except for emergency situations.

In order to promote procurement decentralization, computerization of internal processing is a very efficient measure. Also, Long-Term Agreements are established at the headquarters level to ease the burden of procurement operation at the field level. Without them, successful decentralization with enough headquarters assistance and control would not be realized.

However, some care should be taken on procurement decentralization and local or regional procurement. In addition to suppliers' implementation capacity, organizations must be very prudent in making sure of the contractors' good will. The organization should take a long hard look at the suppliers before signing a major contract. Especially in the field, there are many unreliable "would-be traders" that only have small capital, low storage capacity, and are unfamiliar with trade customs (WFP, 1996). More importantly, the organization must be very careful of preventing corruptions and misconducts. Therefore, the control and monitoring mechanisms by the headquarters are important. The next section deals with such oversights.

Oversight and Control

In addition to daily operational control mechanisms, there are several oversight and control mechanisms in UN System organizations. They are very important for preventing procurement corruption and keeping procurement integrity. They can be categorized as follows.

First of all, there is the internal oversight body. In the case of UN, OIOS (Office of Internal Oversight Service) was established in 1994 through the strong support of the USA government. On the first summary report of OIOS issued in 1995, OIOS focused on “procurement” as one of the three priority areas for oversight in addition to “peace-keeping” and “humanitarian and related activities” (UN, 1995). Since then, OIOS has constantly kept monitoring the UN procurement. Other organizations have also similar internal oversight sections.

There are not only internal oversight but also two external oversight bodies in the UN System. One is called JIU (Joint Inspection Unit). JIU was established in 1968 by the General Assembly. Eleven inspectors serve in their personal capacity and are appointed for a term of five years, renewable once. The Inspectors have the broadest powers of investigation in all matters (<http://www.unsystem.org/jiu/en/about.htm>). The report (JIU, 2004) is the first most comprehensive JIU work on the UN System procurement. It should be noted that the report was produced very recently.

The other external oversight body is the Board of Auditors. It was established by the General Assembly in 1946 to carry out external audit of the accounts of UN and its funds and programs. The Board of Auditors reports findings and provides recommendations to the General Assembly. For this, the General Assembly appoints three members, each of whom shall be the Auditor General (or officer holding the equivalent title) of a member state. (<http://www.unsystem.org/auditors>.) For example, in 2002, the Board of Auditors issued an audit report about UNDP. In that report, lead-time reduction, formal evaluation of supplier performance, proper control of purchase cards were examined and recommended (UN, 2002). However, different from OIOS and JIU, result of the Board of Auditors’ activities is not so open to the public.

In addition, the activities of ad hoc examination groups are significant. For example, Independent Inquiry Committee into the UN Oil-For-Food Programme (so called Volker Commission), headed by Paul Volker, former Chairman of the United States Federal Reserve, has issued reports containing very detailed inspection results and reform proposals. As for procurement aspect, conflict of interest and financial disclosure rule revisions were recommended among other issues (The Volker Commission, 2005).

Consultants also sometimes play an important role. Deloitte has issued the report focusing on internal controls measures in November 2005. The report is very elaborate and the recommendations cover various aspects including: governance, management and staff development, procurement and financial management systems, strategic and operational management and rotation policy (Deloitte, 2005). These are very important (www.un.org/reports/procurement/UNPSReport). Procurement expert association outside of the UN System is involved in related oversight work. For example, although not focused on only control matter, NIGP (National Institute of Governmental Purchasing) Report is very worth to mention. In 2005, NIGP assessed the procurement processes of UN Procurement Service and presented 47 recommendations including: vendor registration and sourcing, systems and internet infrastructure, procurement cards, acquisition planning, policies and procedures, organization and staffing, and professional development (NIGP, 2005).

What is important would be that to what extent, the recommendations are really considered, examined and incorporated into the actual procurement reform if such recommendations are deemed to be desirable. Systematic follow-up of these recommendations is necessary. The role of the political level is the key element for actual implementation. The final reform decision lies in the hands of the member states.

Staff Matters

It is critical for the UN System procurement to “procure” and secure competent procurement staffs. According to the interviews at the various organizations, many UN System procurement officers have originated from private companies. Once employed, due to the needs of specialty, many procurement officers transfer laterally. In other words, the officer transfers to another post within his/her procurement section or to the other organization’s procurement section.

Regarding staff training, despite the recognition of its importance among procurement officials, the resource spent is not enough at all. For example, during my interview in UN, the following fact was explained that UN had a budget of only about US\$ 300 per person for training in 2005. The situation seems quite similar in the UN System as a whole. In 2002, total investment in procurement training amounted to only 0.01 per

cent of aggregate procurement expenditure with the majority of organizations allocating no resources for that purpose (JIU, 2004).

From the JIU report, it is also apparent that the number of total staff, procurement amount per staff, labor costs, and training budget, all vary immensely between organizations. Therefore, inter-agency cooperation on training and related staff matters is essential (JIU, 2004). Regarding this point, according to the interview at IAPSO, the Common Procurement Certification Scheme had just been consolidated in early 2006. It is expected to contribute towards the UN System-wide capacity building and also smoother lateral transfer of the procurement officers.

IAPSO's role is important in supplying training to UN System organizations. IAPSO provides various types of training courses (<http://www.iapso.org/training/index.asp>). They are held not only in Copenhagen but also in various other places. In addition to internal training provision conducted by each organization, off-site training courses like that of IAPSO are possible options for UN System organizations once the problem of training cost scarcity can be resolved.

OPERATIONAL ISSUES

As for operational issues, the main focus is on international competition arrangement and its actual implementations. Competitive biddings and proposals are the fundamental methods. Here, we can observe one special feature of UN System procurement operation. Finally, Long-Term Agreement is an important operational method. At the end, e-procurement and socio-economic environmental policy are discussed as still challenging matters.

Procurement Procedures

There are no strongly bound System-wide procurement regulations. In order to support and regulate the daily detailed procurement operation, each organization has its own internal rules that are often incorporated within the Financial Regulations and the Financial Rules, supplemented by the Procurement Manual. However, there is the Common Guideline for Procurement in the UN System (IAPSO, 2006). Though the Guideline is not a binding legal rule, it is very helpful to understand the common basic procurement procedures.

The Guideline was created by IAPWG in 1996. The purpose of this guideline is to communicate basic principles for procurement by the organizations and within the UN system, to guide procurement activities and to facilitate harmonization of procurement procedure among UN System organizations. The core content of it is summarized as follows.

The Guideline defines the objectives of the procurement activities as the timely acquisition of goods, works and services while addressing: the objectives of the UN organizations concerned; fairness, integrity and transparency, through competition; economy and effectiveness; and best value for money.

In regards to the participation of the suppliers, the guideline stresses the basic principle of equal treatment regardless of the country of origin. It also demands the suppliers the eligibility, requirements including the legal capacity, technical competence and financial strength. Each organization maintains rosters of eligible suppliers. Solicitation documents addressed by procurement organizations shall contain all information necessary to prepare a suitable offer. There are three types of solicitation documents (Invitation to Bid, Request for Proposal, and Request for Quotation) that are commonly seen at national procurement procedures as well.

Procuring entities, as a general rule, use competition to procure goods and services. Such competition may be undertaken on an informal or formal basis and be either open or limited. As many suppliers as is practicable will be given the opportunity to offer the required goods, works or services.

The Guideline also explains about submission, receipt, opening and evaluation of offers as key procedures before procurement contracts. Ethical behavior and relationships with suppliers is mentioned but not in detail. Statistics, especially in regards to details of geographical distribution of contracts is required.

These are the essence of the Guideline and basic procedures used in the UN System. However, the Guideline does not explain in detail or does not mention some important procurement operational methods such as LTA or e-procurement. These issues are discussed here.

Limited International Competition

As introduced on the previous section, competitive procurement is the most recommended principle. However, we must be careful of the manner and degree of competitiveness. Here, we can see one of the special features of the UN System procurement method.

The Common Guideline for Procurement sets the types of procurement methods as follows: Open International Competition (OIC), Limited International Competition (LIC), local competition and direct contracting. Among them, OIC is the most basic method that contains the important procurement principles such as fairness and transparency. OIC is initiated by advertisements through such ways as: the official homepages, special procurement circulation magazines (“Development Business”: <http://www.devbusiness.com>. is the most famous), and publications of wide international circulation.

However, when LIC is used, basically solicitation is addressed to a short-listed qualified suppliers selected in a non-discriminatory manner by the organization from rosters, pre-qualifications, expressions of interest and other sources. LIC is appropriate where OIC is unsuitable for economical and efficient procurement because of the value, urgent demand or limited availability of the required goods and services.

Through several interviews and information found in the official documents and homepages of UN System organizations, it has become clear that the main feature of UN System procurement implementation would be LIC. Each UN System organization manages its roster of suppliers, solicits companies from the registered potential suppliers, and conducts bidding among them. Although some organizations, such as UNDP and IAPSO, advertise procurement opportunities through their home pages, such advertisement is quite limited to expensive cases where normally requires more than US\$ 100,000. Some organizations even do not advertise their bidding information in their homepage. Normally the procurement rules do not impose strict OIC implementation.

As for an example of LIC, let us take a look at UNICEF. According to the UNICEF Supply Manual, Invitation to Bid and Request for Proposal are defined as written solicitation sent to a number of suppliers sufficient to obtain preferably at least three valid and acceptable bids/proposals. On the contrary, uninvited bids/proposals are not to be

accepted. In order to be registered as potential supplier, the supplier must be pre-qualified by assessing its financial viability and its capability to meet quality, delivery, price, and after-sales requirements (UNICEF, 2003b). Therefore, the rule itself does not impose formal OIC and actual operation is said to be LIC.

Such a LIC based operation could be regarded as critical fault against basic principle of the procurement theory. But there seems to exist practical reasons. According to an UNICEF Supply Division officer, such arrangement enables procurement officers to ease the burden of financial and quality check tasks each time. Especially in the case of very high volumes of medicines and vaccines that UNICEF purchases, quality assurance is a very important aspect.

It is also true that LIC contributes towards swift procurement, contract and delivery. The UN System has many emergency activities. Therefore, this point is important. In addition, different from national procurement, in the case of breach of contract, remedy for UN System organizations are often more difficult than domestic procurement.

Considering the merits given above and considering the unreliability and costliness of contract enforcement, such LIC arrangement has some operational advantages compared to national procurement. However, the degree of necessity and actual LIC feasibility need to be further tested.

Long-Term Agreement

Long-Term Agreement (LTA) is quite a widely used method in the UN System. LTA is generally used for such goods and services as the organizations have repetitive needs. If an LTA is signed, the organization has the right to purchase from the supplier at a fixed price for a certain period, normally for one or a few years but not to exceed approximately five years at the longest. LTA has strong possibility for the organization to reduce cost through realizing the economy of scale and omitting bidding procedures each time. Also, the supplier can have more opportunity for further orders.

Let us take a look at the example of UN. LTA is referred to as System Contracts in UN. System Contracts has advantages of the volume discount potential and setting up a mechanism for drawing requirements without repeating the bidding exercise for each requisition. However, on such contracts, greater vigilance in monitoring vendor performance and carrying out effective contract administration are needed (UN, 1996).

According to the UN procurement official, this type of contract is thought to be very useful in the cases such as transportation service, vehicle spare service and office equipments.

LTA can better support the field offices. In the case of UNICEF, Supply Division Headquarters often signs LTA with suppliers detailing the price and delivery term. Due to that, country offices can very easily implement procurement through LTA. Such arrangement is called Direct Ordering Arrangement (UNICEF, 1992). It was first introduced around 1993 and expanded since then. As a result, it succeeded in reducing the delivery time on average from four months to six weeks. Additionally, there has been a positive effect in reducing the purchasing price and the burden of the procurement officers (UNICEF, 1994).

LTA can help other organizations too. As the result of interviews conducted at several organizations, it has been made clear that it is becoming more and more common amongst UN System organizations to use other organizations' LTA. By combining the needs across several organizations, more economy of scale can be pursued. For other organizations, it is very convenient and cost saving to utilize an established LTA rather than to create a new LTA through a bidding process. Just as in the case of UNICEF and IAPSO, the procurement through LTA for other organizations can sometimes be conducted more smoothly through the provision of catalogs for organizations and customers.

E-procurement

Many UN System organizations are not advanced in e-procurement. The entire bidding process through the use of computer system is still a very uncommon practice. Also, bidding through e-mail is normally allowed for only procurement of low value.

IAPSO developed one of the most significant e-procurement systems in UN System organizations. In 2000, IAPSO created the web-based procurement system called UNWebBuy. In May 2002, a new and enhanced version of UNWebBuy was launched. For example, an improved shopping cart and quotation system was introduced that enables eligible clients to receive a comprehensive and firm quotation in a matter of seconds. However, this system has not been widely introduced in other UN System organizations except for WHO (UNDP, 2002 and <http://www.unwebbuy.org>).

At many organizations, there are obstacles that need to be overcome in order to promote e-procurement. As a result of the several interviews conducted at UN System organizations, various important points were found. Firstly, organizations are not necessarily keen on e-procurement. That's partly because of the reluctance from the governing body side. Some governments among developing countries feel that if the procedures are conducted mainly through e-procurement, the vendors of these countries are disadvantaged because of the technology gap or so-called digital divide. Some developed countries have concern that they must incur more costs for the preparation of e-procurement. Secondly, it is essential to check data convertibility and compatibility to the existing ERP system in another organization. In order to do so, ERP companies' cooperation is necessary. Thirdly, security problem must be overcome.

In addition to the above points, there are several constraints. The JIU report contends the following points; staff resistance at many levels, inter-agency's lack of ICT compatibility, field office compatibility and lack of in-house awareness and lack of senior management commitment (JIU, 2004). Establishing an inter-organizational e-procurement infrastructure is a very difficult task in the UN System.

Socio-Economic Environmental Policy

There are various socio-economic environmental policies. Some UN System organizations stress the importance of growth in economy of developing countries through the increase of procurement from companies located in these countries. As previously noted, procurement statistics are normally required to contain its amount and percentage from developing countries. Even preferential treatment on bidding results for suppliers in the developing countries is demanded intermittently. For example, at UN in the late 1990s, the demand of preferential treatment to developing countries and countries in economic transition became stronger (UN, 1999). However, the Secretary General virtually rejected that demand, citing the rule of awarding contracts based on "lowest acceptable bid" written in the Financial Regulation (UN, 1998).

There are various types of preferential treatments that are common in national procurement but not so in UN System organizations. Small business, small disadvantaged business, women-owned small business, indigenous enterprise and NGOs do not normally receive preferential treatments. Although some organizations like UNHCR and WFP pay

attention to environment, environmentally friendly procurement is not an established method (IAPSO, 2006).

SUMMARY

Public procurement operated by UN System organizations is not a well-known agenda. Despite that, it is important and challenging theme. Though the total procurement amount is very small compared to the cases of national procurement, the welfare and even lives of people, who have been suffering from war conflicts, violence and threats, natural disasters, hunger and poverty, partly depend on the success of procurement operations conducted by UN System organizations. Actually, procurement is the essential part of the implementation of various missions for these international organizations. In addition, as shown in the Overview, total procurement volume is equivalent to approximately 40% of total financial resources in the UN System. Therefore, procurement is also important in the viewpoint of budgetary and administrative management.

Basic Structure of the UN System procurement is independent and decentralized. The UN System has neither any strong central procurement policymaking body nor any central procurement implementation organization. Even though there are several notable procurement inter-agency mechanisms such as IAPWG, location-based common procurement, and procurement service agencies, both procurement policymaking and procurement implementation are under the responsibility of each organization. Therefore, this paper focused on the procurement measures and actual implementation of the individual organizational level.

Procurement operation is not easy especially in the UN System because its organizations are faced with various difficulties. Although the organizations are confronted with enormous needs, financial resources available for the UN System are very limited compared to the national government. Therefore, the organizations must procure efficiently. The entire operation depends on the support of member states. Therefore, the organizations must maintain proper oversight and control functions to prevent corruption and mismanagement for keeping integrity. The UN System lacks strong central procurement authority. Therefore, it is imperative that the organizations must select the manners and styles of

inter-agency procurement cooperation very wisely. Headquarters of the organizations are often far from the operational regions and fields. Therefore, the organizations must overcome the problems of distance. There are many emergency operations. Therefore, the organizations must procure and deliver swiftly.

Through various analyses on this paper, it has become clear that UN System organizations are taking several concrete efforts and measures to tackle on such difficulties. Some measures are same as the cases of national procurement. They include inter-agency cooperation, central procurement system on headquarters level, several organizational oversight measures, and international competition. However, the following issues are said to be quite specific features in regards to the UN System procurement compared to the national procurement practices.

In terms of organizational aspects, functional location is eminent. At the headquarters level, procurement sections of some organizations are not located within its headquarters but in Copenhagen where there are several operational merits and strong political support from the government of Denmark. The locations at the regional level are quite functional too. The location of procurement bases and regional supply offices varies widely depending on each organizational needs and operational areas. Furthermore, decentralization measures have been on the rise and procurement amount in developing countries is quite high. Reductions in both transportation cost and delivery time can be expected.

As for operational aspects, one of the main features of procurement implementation would be Limited International Competition (LIC). LIC is a widely used method and it has some operational feasibility in the UN System especially from the viewpoint of swiftness, cost effective proceeding, and secure transactions. Long-Term Agreement (LTA) is also a very widely used method. Compared to the normal one-time open international competition, LTA is beneficial in terms of swiftness and in obtaining cost reduction by realizing the economy of scale and by omitting bidding procedures each time.

Despite such organizational and operational efforts and measures, there are still many future challenges. Some important examples are; strengthening staff training with sufficient resource, effective inter-agency cooperation, promotion of e-procurement, implementing measures towards increasing demand of procurement in developing

countries, and the incorporation of socio-economic and environmental measures.

It might be thought that this paper is fairly descriptive and it lacks enough critiques of the organizations it analyzes. However, considering the lack in enough previous academic attention and comprehensive researches on the UN System procurement, this paper is intended to provide not only its basic structures and various fact findings, but also to clarify both operational and organizational difficulties, efforts to tackle on them, and future challenges. Needless to say, it surely lies in the hands of the readers to judge the degree of actual usefulness and significances of this paper.

Actually, further researches are needed from various aspects regarding this theme. There are an abundance of possibilities that public procurement studies can contribute in strengthening the UN System procurement both organizationally and operationally. At the same time, there are various features that are quite specific in the UN System procurement. Therefore, the analysis of the UN System procurement can be regarded as one of the additional interesting research objectives for public procurement studies both theoretically and practically.

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NOTES

1. The United Nations System consists of the United Nations, its affiliated organizations (such as UNICEF and WFP) and specialized agencies (such as WHO and FAO). (See, <http://www.un.org/aboutun/chart.html>.) In this paper, the World Bank

Group had been excluded from the focus of this analysis because it is virtually quite independent from UN and other UN System organizations. Furthermore, there is a significant difference in the type of procurement activities conducted between the World Bank Group and the other organizations. The World Bank Group normally lends money to the recipient countries and they in turn implement the actual procurement.

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