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HIGH-LEVEL COMMITTEE ON MANAGEMENT (HLCM) PROCUREMENT NETWORK (PN)

Summary of Conclusions of the Sixteenth Session of the

High Level Committee on Management's Procurement Network

(17-19 September 2014 – AfDB, Pretoria, South Africa)

I.   INTRODUCTION

1.   The 16th session of the High Level Committee on Management's Procurement Network (HLCM PN) was hosted by the African Development Bank (AfDB) at its Southern Africa Resource Centre (SARC) in Centurion, Pretoria on 17-19 September 2014, under the Chairmanship of Mr. Dominic Grace (Director, Procurement Support Office, UNDP) with the support of the Vice-Chairperson, Ms. Regina Gambino (Chief, Procurement Service, FAO) and the Outgoing Chairperson Mr. Dietmar Plesse (Head, Procurement Division, ITU). The incumbents of these three positions form the Management Board of the HLCM PN.

2.   The meeting was attended by 30 colleagues representing 23 of the 35 organisations registered as members of the HLCM PN. A list of participants is provided in *Annex 1*.

3.   The meeting followed the format of three working days with closed meetings and discussions for Network members around an agreed agenda. There were separate sessions held for the Harmonisation Working Group, the UNGM Membership and the new Strategic Vendor Management Working Group on two of the afternoons.

4.   The registration was done online using a cost-effective, internet-based facility. Paper copies of documentation were limited to a minimum and available session documentation was shared via the PN Workspace on www.ungm.org.

5.   The PN Chairperson welcomed participants to the meeting and expressed his appreciation of the work completed by the Working Groups and Project Teams since the last meeting. He underlined collaboration as the main reason for getting together and went on to highlight a number of the successes and achievements of UN collaborative procurement in recent times. The PN has demonstrated that it can be extremely productive but, given work exigencies that everyone has, this is only possible when it's within a cooperative project structure that is sufficiently resourced. In conclusion, the Chair invited members to actively participate in the upcoming discussion, keep an open mind, use common sense, be practical, but also to dream a little. Finally, he thanked the AfDB for graciously hosting the meeting.

6.   Ms. Yvette Glèlè-Ahanhanzo (Division Manager, Corporate General Services & Procurement, AfDB) welcomed the members of the HLCM PN to the new facilities of the Bank, and expressed appreciation for the long-awaited opportunity to host a HLCM PN meeting.

7.   Mr. Kennedy Mbekeani, on behalf of the President and Vice-Presidents of the Bank, then also welcomed the HLCM PN to AfDB's Resource Centre. Mr. Mbekeani provided the Network with some key data about the Bank, which was established in 1964, and explained its overall objectives. He wished the PN a successful conference with productive deliberations.

8.   The Vice-Chairperson provided some interesting facts about South Africa and then more specifically about Pretoria. She concluded with an inspirational quote from Nelson Mandela, "May your choices reflect your hopes, not your fears".

9.   The Opening Session also included a round of introductions by all participants *(see Annex 1).*

II.   ADOPTION OF THE AGENDA

10.   The Agenda (*Annex 2*) adopted by the Network is listed below with the relevant annex numbers for supporting documents[1] related to topics:

   i.   ***Introduction***
   Annex 1: List of Participants

   ii.   ***Adoption of the Agenda***
   Annex 2: Summarised Agenda

   iii.   ***Vendor Eligibility Project***
   Annex 3: Presentation 'Vendor Eligibility Project Implementation – Progress to Date'

   iv.   ***Strategic Vendor Management Working Group***
   Annex 4: Document 'TOR Strategic Vendor Management Working Group'

   v.   ***Harmonisation Project, Phase II (part 1)***
   Annex 5: Presentation 'Harmonisation Project – Phase II, Implementation Update'

   vi.   ***Collaborative Procurement of Vehicles Project***
   Annex 6: Presentation 'Collaborative Vehicle Procurement Study – Phase II, Progress Report'

   vii.   ***Harmonisation Project, Phase II (part 2)***
   Annex 7: Document 'HLCM-PN and UNDG Responsibilities Matrix'
   Annex 8: Document 'Best practices for sharing Long Term Agreements among UN Agencies''
   Annex 9: Document 'Implementation Matrix'
   Annex 10: Document 'Implementation Cycle Workflow Checklist'

   viii.   ***Professional Development Working Group***
   Annex 11: Table '2014 Training Compendium'
   Annex 12: Presentation 'Professional Development Working Group'

   ix.   ***UN Global Marketplace (UNGM)***
   Annex 13: Presentation 'UNGM Vendor Registration Reform – Project Steering Team Status Report'
   Annex 14: Document 'UNGM Rolling Budget 2015-2016'

   x.   ***Show & Tell: Harmonising a System-wide Approach to Fraud Cases of Implementing Partners***
   Annex 15: Presentation, 'Harmonising a System-wide Approach to Fraud Cases of Implementing Partners'
   Annex 16: Document 'Letter to UNDG-HLCM from OCHA'
   Annex 17: Document 'Model for UN Governance and Accountability Framework'

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[1] All documents concerning the session and related presentations can be obtained from the HLCM PN Secretariat at kerry.kassow@undp.org or by accessing the PN Workspace on www.ungm.org

xi. **Show & Tell: 2013 Annual Statistical Report on UN Procurement**
Annex 18: Presentation '2013 Annual Statistical Report'

xii. **Show & Tell: Harmonisation and Simplification of UN Business Operations**
Annex 19: Presentation 'Harmonization and Simplification of UN Business Operations'

xiii. **Show and Tell: World Bank Group Corporate Procurement Reform**
Annex 20: Presentation 'World Bank Group Corporate Procurement Reform'

xiv. **Show and Tell: Introduction to the UNFCCC**
Annex 21: Presentation 'Introduction to the UNFCCC'

xv. **Show and Tell: Introduction to ADB**
Annex 22: Presentation 'Introduction to ADB'

xvi. **Show and Tell: Success Stories of the AfDB**
Annex 23: Presentation 'Success Stores by the African Development Bank'

xvii. **HLCM/CEB Secretariat Briefing**
Annex 24: Document 'Summary and Talking Points for Donor Discussions'

xviii. **Finalisation of Outstanding Decision Items**

xix. **Venues for Future Sessions, Meeting Wrap-Up and Close**

III. VENDOR ELIGIBILITY PROJECT

11. This topic was co-presented by the Chairperson, Mr. Dominic Grace (UNDP), Mr. Eric Dupont (UNFPA) and Ms. Anna Spindler (UNOPS). The full presentation can be found in *Annex 3*.

12. The Chairperson informed that, while the PN Management Board will continue to monitor progress in implementing the Model Policy Framework (MPF) for sanctioning vendors and provide updates to the HLCM, UNDP has decided to discontinue the practice of conducting the online surveys as there has not been a significant change in the data over the last 3 surveys. It was noted that the responsibility to implement the Model Policy Framework is with each organisation.

13. UNDP is pleased that FAO, UNOPS, UNFPA and WIPO are moving forward with implementation, and that the Vendor Eligibility Module is operational within UNGM.

14. The PN was informed that since the MPF as implemented at UNDP is now 3 years old, UNDP will undertake a review and possible revision so that lessons learned will be incorporated. At the same time recent reduction in HQ staff at UNDP will have a significant impact on its implementation and will have to be addressed.

15. An update was given on the cases handled by UNDP, which was followed by an update from UNFPA on its implementation of the MPF. As UNFPA is a relatively small agency, it has decided to outsource its Vendor Review Committee (VRC) activities and has approached UNOPS for that purpose. However, some difficulties have been encountered as issues concerning confidentiality have arisen, which will hopefully be resolved by the end of the year.

16.   UNOPS provided an overview of how its recently established VRC is structured as well as key achievements to date.

17.   UNOPS stressed how it requires a great deal of time and resources to set up a well-staffed VRC.

Discussion

18.   In response to an enquiry from UN/PD on whether UNOPS had carried out a risk assessment before making its sanctioned vendor list public, UNOPS informed that it had not done so, but had extensive discussions at top management level and with the Chief of Audit before going ahead.

19.   UNFPA views outsourcing to another UN partner as a means to increase transparency and avoid conflict of interest.

20.   UNICEF informed that it has not formalised the sanctioning process, but instead has operated with an ad hoc sanctions board when required. The main challenges are staffing and allocation of time.

21.   UNHCR refers consistently to UN/PD's list of sanctioned vendors. However this has been found to have some limitations. It would be helpful if the list included such details as the location address of the company being suspended or removed, in order to be able to differentiate it from other companies/subsidiaries with a similar name.

22.   Several agencies expressed interest in having one universal listing of sanctioned vendors as opposed to several separate ones.

23.   UNOPS informed that the Vendor Eligibility Module has an Ineligibility List which is a consolidation of all the UN Agencies' sanctioned vendor lists. When a vendor registers on UNGM, it is screened against the Ineligibility List as well as the World Bank list and 1267 list. Updates are run on the lists on the UNGM on a weekly basis.

24.   FAO informed that it has the policy and the procedures in place, but lacks financing for the VRC Secretariat and therefore cannot move ahead.

25.   As sometimes there is no alternative vendor for certain products, and in any case as a matter of principle, FAO prefers to avoid suspending vendors and instead focusses on rehabilitation and education. Vendors may read UN terms, contracts etc. but they do not always understand them fully.

26.   UNDP had the following final comments to issues raised by various individuals:

    • It supports the idea of outsourcing and cooperating on implementing the MPF. However, if an agency is sanctioning on behalf of another agency it needs to be prepared to take on the liability.

    • To avoid conflict of interest on the VRC, it is recommended to assign people to it who are independent of the procurement process. If a procurement person is part of the committee that person should not have voting rights.

    • The MPF is based on the World Bank and UN Secretariat Models.

- The idea with the MPF is that it is not prescriptive, but rather can be adapted to an organisation as is best seen fit.

- There are provisions in the MPF for dealing with sole vendor situations.

- UNDP's practice is to sanction the CEO as well as the company itself in the event that the company is reformed under another name.

- It can be a challenge when donors require the UN to adhere to their debarment lists. UNDP recommends trying to respect this as much as possible, but at the same time encourages the PN to help donors understand how the UN operates.

IV.   STRATEGIC VENDOR MANAGEMENT WORKING GROUP

27.   This session was presented by the PN Outgoing Chair, Mr. Dietmar Plesse (ITU).

28.   At three consecutive PN meetings (February & September 2013 and March 2014) the HLCM PN discussed the reorganisation of the various activities related to vendor management under the umbrella of a Strategic Vendor Management Working Group.

29.   Merging activities under one Working Group (WG) will result in better coordination of activities in the area of vendor management; a more cohesive, long-term vision and strategic approach in managing relationships with vendors; better use of the agencies' scarce human and financial resources; and better coordination with the UNGM Steering Committee.

30.   At the PN meeting in March 2014 the PN Management Board presented a draft Terms of Reference (TOR) for the new Working Group. Further to feedback received, the draft (*Annex 4*) was revised and presented for approval at this session.

Discussion

31.   There was widespread support for the creation of the Working Group and the proposed TOR.

32.   IFAD urged for continuity of the WGs that will be absorbed by the new group as well as collaboration with the UNGM Version 2.0 Project and the UNGM Steering Committee, as the UNGM would be a fundamental component of any vendor management strategy.

33.   WIPO suggested that the UNGM Steering Committee be represented in the new WG in order to make its experience and expertise available and to liaise between the 2 groups.

34.   UNICEF expressed interest in being part of the new WG.

35.   The PN endorsed the the new Terms of Reference for the Strategic Vendor Management WG. The new WG will replace the existing Vendor Management WG and Supplier Access WG, assume the responsibilities and activities previously carried out by them, and monitor the implementation of the outcomes of the Vendor Eligibility project.

36.   At a subsequent meeting of the new WG, Mr. Sandro Luzzietti (IFAD) was elected as the WG Chair and Ms. Anna Spindler (UNOPS) as the Vice-Chair. The WG will now take its activities forward, confirm its membership, establish a work plan and report back to the HLCM PN at its next meeting.

V. HARMONISATION PROJECT, PHASE II (PART 1)

37.   The Harmonisation WG Chair, Mr. Eric Dupont (UNFPA), provided an update on the implementation status of the HLCM-funded Harmonisation Project, Phase II.

38.   The objectives of the Project are to:
- Create a common framework for harmonisation of procurement-related regulations, rules, policies, procedures and business practices.
- Develop a toolkit to facilitate implementation of procurement collaboration taking into account the best practices, needs and insights from the country level and HQ level.
- Record and report outcomes of collaboration generated by UN duty stations.

39.   The Project has completed three quarters of its implementation cycle and achieved 80% of its amended deliverables (based on the Harmonisation WG meeting held in April and subsequent endorsement by the CEB Secretariat).

40.   The full presentation can be found in *Annex 5*.

Discussion

41.   UNDG highlighted the importance of the work being done by the Harmonisation WG and training that has been provided in the field has been very well received. UNDG would like to explore ways to continue the joint UNDG-HLCM training and capacity development at country level.

42.   The Outgoing Chair proposed that continuation of training efforts should be part of a strategy for the future and not a discussion item at this time.

43.   The PN members and PN Chair commended the WG on progress made and for resolving issues that were discussed at the last PN meeting. The PN Chair reminded the group of the importance of this work in light of continuing pressure from donors for the UN to Deliver as One. Harmonisation across agencies is a huge task, but progress is being made and there is still great momentum.

VI. COLLABORATIVE PROCUREMENT OF VEHICLES PROJECT

44.   The Coordinator of this HLCM-funded project, Mr. Dominic Grace (UNDP), presented this session.

45.   Phase II of the project commenced on December 1st, 2013. The following is a summary of the main activities over the past nine months:

- Selection of technical team (complete)
- Development of technical specifications (complete)
- Release of Expression of Interest to industry (complete)
- Preparation of Request for Proposal (RFP) and circulate for sign-off by project team (complete)
- Launch of RFP (complete)
- Conducting a Bidders' Conference (complete)

46. These activities were conducted with UN/PD acting as Lead Agency for all procurement-related functions and other agencies participating with technical or procurement expertise as warranted.

47. The next activities are planned as follows:

- RFP closing date - 30 September 2014
- Technical Evaluation - October 2014
- Commercial evaluation after receipt of TER - Nov/Dec. 2014
- HCC review and ASG/OCSS approval - Jan. 2015
- Finalisation of draft contracts - March 2015
- Contract(s) Award - April 2015

48. The full presentation can be found in *Annex 6.*

Discussion

49. The Coordinator provided the following responses to various questions:

50. Although there may be pressure in certain countries to buy locally, the principle in UN is to conduct international bidding.

51. Part of the process is about buying, the other part is about planning – large savings can be achieved by buying from the manufacturers as opposed to from the stockists, which is more feasible through good planning.

52. The bidders' conference was well attended and provided opportunity for open dialogue between the agencies and suppliers. Feedback from suppliers was positive and all seemed interested.

53. The key to the project is volume, establishing LTAs and using them. The more the LTAs are used, the better the prices are going to be.

54. There is no reason why the project should not be successful. The project has its challenges, but it also has high visibility and there are high expectations for success.

55. It is envisaged that the bidding exercise will result in a broad range of LTAs – to ensure that there is sufficient geographic coverage and supply, particularly in times of high demand which typically occur during sudden onset crisis.

56. The Vice-Chair commended the Coordinator and the team on the great progress made. This project encapsulates both the potential upsides and many of the traps that the UN faces in collaborative procurement. The project is easy to understand, yet it is incredibly complex given the challenges ranging from collecting data to dealing with the different cultures, models, controls etc. that exist from agency to agency. Added to this are the cultural differences between the UN and the suppliers, which need to be addressed through good communication.

VII. HARMONISATION PROJECT, PHASE II (PART 2)

57. This session was presented by the Harmonisation WG Chair, Mr. Eric Dupont (UNFPA).

58. The Harmonisation WG presented 4 items for decision.

(i) The Division of the Responsibility between the HLCM PN and UNDG.

59.   The purpose is to ensure the long-term sustainability of procurement collaboration at global duty stations, especially at those duty stations where BOS and One-UN initiatives are active.

60.   In brief, the HLCM PN's role is to define and develop guidelines and tools, while UNDG's role is to communicate the tools and guidelines, and facilitate and monitor the implementation of procurement collaboration at duty stations.

61.   The HLCM PN-UNDG Responsibilities Matrix was reviewed and revised during a separate Harmonisation WG session on the previous day.

62.   The finalised version of the Matrix (*Annex 7*) was presented to the plenary and the PN thereby endorsed the division of the responsibility between the HLCM PN and UNDG in order to better address the scalability and sustainability of procurement harmonisation and collaboration at global duty stations.

(ii) Report on Feasibility Assessment to Harmonise UN Prototype Procurement Templates

63.   An assessment of the operational feasibility, costs and benefits of harmonising key procurement documents was carried out during Phase II of the project. The results of the content analysis show that it is operationally feasible to produce key UN procurement prototypes, e.g. ITB, RFP, LTAs and Contracts for Professional Services across agencies. Based on the result of the analysis, the following can be produced: (i) a common structure and table of content with some parts having a standardised text across agencies; and (ii) a partial harmonisation of certain sections to include specific agency and commodity/service requirements that may vary depending on the type of goods and services.

64.   The result of the study also suggests that three separate prototype sets of KPIs are developed to assess the supplier performance for goods, for services and for goods & services combined. This is based on the need to best capture the performance of suppliers for goods and services as the indicators differ depending on the type of procurement.

65.   An initial analysis of the General Terms & Conditions (GT&C) for goods and services indicates that there is room for a greater harmonisation of the documents; however further assessment needs to be conducted by the legal network of the UN, since this is beyond the PN's expertise.

66.   The benefit assessment shows that non-monetary benefits can be achieved for the UN, suppliers and donor community if prototype templates are used.

67.   The PN agreed that the study would be amended to eliminate all reference to cost benefits as these were viewed as being insufficiently supported and could be very difficult to defend. It was agreed that the amended report would be recirculated to the Harmonisation WG for final approval. It was also agreed that the harmonisation of GT&Cs would be passed to the HLCM/CEB Secretariat for its communication with the UN legal network.

(iii) Update of 'Common UN Procurement at the Country Level' document

68.   The Harmonisation WG requested the PN's approval to include additional tools already developed as Annexes to the document. The tools include best practices for LTA sharing

and the procurement harmonisation implementation matrix & checklist. (*Annexes 8, 9 & 10*)

69. The PN agreed that the tools will be added as Annexes to the 'Common UN Procurement at the Country Level' document. It was also agreed that more case studies will also be added. The final revision of the document will be approved by circulation among the WG members by the end of the year and submitted for information at the next PN meeting.

(iv) Harmonisation Project, Phase III

70. The PN reviewed the list of items proposed for Phase III of the Harmonisation Project, which resulted in the below.

71. Three items were removed:

- Development of a prototype Procurement Manual which had been requested by BOS countries, but was actually only foreseen for Brazil. Since Brazil is proceeding on its own anyway, the PN agreed that it would wait and obtain a copy of this manual and assess whether to build on that if it is still seen as necessary.
- Mapping for collaborative procurement which will be proposed as a separate project.
- Development of common specifications which will be a natural follow on to the collaborative procurement analysis.

72. The proposal for Phase III will include the following seven initiatives:

- Develop common procurement prototype templates.
- Update the document 'Common UN Procurement at the Country Level' to include lessons learned.
- Translation of prototype templates into Spanish and French.
- Conduct 3 Training of Champions workshops.
- Provide guidance to target duty stations on use of capacity development activities and implementation of collaborative procurement.
- In collaboration with the UNGM project, further enhance the UNGM LTA module to enable reporting on LTAs.
- Follow up with target duty stations for their input to UNGM tools and other tools to indicate results of collaboration.

73. It was agreed that the next step would be for the Harmonisation WG to review the agreed activities and develop a comprehensive proposal and revised budget to be shared with the PN membership by email. The intention is to submit the proposal to the HBP Steering Committee before the next PN meeting.

VIII. PROFESSIONAL DEVELOPMENT WORKING GROUP

74. This session was presented by the Professional Development Working Group (PD WG) Chair, Mr. Torben Soll (UNDP).

75. The presentation included an update on the 'CIPS Knowledge' portal, the Knowledge Sharing Platform on the UNGM, the updated UN Training Compendium for 2014 (*Annex 11*) and information on a CIPS concept to license the procurement profession.

76. The full presentation can be found in *Annex 12*.

Discussion

77. The WG Chair informed that CIPS will provide a quarterly report on usage country by country of the CIPS Knowledge Portal. Unfortunately it is not possible to provide statistics by organisation.

78. WFP questioned the cost-sharing model, which is based on procurement volume, for payment of the subscription to the CIPS portal. WFP is represented on the PN by its non-food procurement section, which accounts for a small amount of WFPs total procurement spend, yet it is categorised as Group A, which pays the highest share.

79. The UNGM SC clarified that current funding for the UNGM Version 2.0 Project would cover the development of the Knowledge Sharing Platform on the UNGM. However, the work surrounding content development would be covered by the next phase of funding envisaged for the UNGM pending the HBP SC securing further donor funds.

80. Given apparent synergies, UNDG suggested collaboration between the HLCM PN and UNDG on a knowledge sharing solution. The PD WG Chair therefore invited UNDG to participate in the next WG teleconference to explore further.

81. There was considerable discussion of the concept from CIPS to collaborate with the UN on licensing the procurement profession and whether or not CIPS should be invited to give a presentation at the next PN meeting.

82. The PN supported the overall principle of licensing the profession, but not any monopolistic approach of a single provider. In light of this, the PN agreed not to invite CIPS to give a presentation on licensing at the next PN meeting. Instead, the PD WG was requested to first review the initiative of licensing the profession and then to elaborate on potential implications.

IX. THE UN GLOBAL MARKETPLACE (UNGM)

(i) UNGM Vendor Registration Reform (VRR) Project – Status Report

83. This part of the session was presented by the Project Coordinator, Mr. Kiyohiro Mitsui (UN/PD). The full presentation can be found in *Annex 13*.

84. The presentation described the project and highlighted the achievements and impact it's had since new UNGM was launched on 16 November 2013.

85. In August 2014 Capgemini was appointed to carry out an evaluation of the project, the report of which concluded with the following:

   - The redesigned UNGM is a very successful implementation of the UNGM vendor registration reform.
   - The simplified registration and the updated and modern graphical profile have improved the UNGM immensely.
   - The benefits listed in the Business Case have been met.

86. Capgemini also made several technical recommendations, which are being implemented by UNGM, to make it even more user-friendly.

87. The UNGM Steering Committee (SC) Chair, Mr. Giorgio Fraternale (WIPO), provided an update on the UNGM Strategic Enhancement Project – Version 2.0 – for which the HBP SC has approved the request for funding for Phase I with an initial installment of 220,000 USD. The balance for the project will be requested later upon receipt of further funds by the HBP SC.

88. The new project will be governed through the current project management structure and will be implemented as an amendment of the existing MOA[2] for the UNGM VRR project in order not to delay its implementation.

Discussion

89. IFAD flagged that the UNGM team would need to collaborate and consult with UNDG as part of the new project as it will seek to connect the UNGM with some country portals.

90. The PN Secretariat thanked the UNGM team for the new PN Workspace that is now available on the UNGM and took the opportunity to highlight some of the information that is available there in addition to PN meeting documentation, such as, PN policy documents, PN contact information, a compilation of PN requests for information & responses thereto, the PN Statutes & Procedures etc.

91. The Project Coordinator and Team were commended on the great work carried out in successfully delivering the VRR. In addition the PN Outgoing Chair thanked the Project Coordinator and UN/PD for its willingness to continue to lead the UNGM Project.

92. Following the VRR session, the UNGM SC Chair presented a number of items for UNGM membership approval.

(i) UNGM Rolling Budget for 2015-2016

93. The UNGM budget for the biennium 2015-2016 was presented (*Annex 14*). The anticipated cost of bespoke projects (funded externally to the UNGM regular budget by requesting agencies) is also part of the UNGM Rolling Budget 2015 - 2016.

Discussion

94. There was considerable discussion regarding how the UNGM budget is established and whether it should in fact be carried out in a more formal manner. This would, however, require additional resources, and will hence be examined further by the UNGM SC. During the ensuing debate, it was clarified that the UNGM budget – prepared by and as per UNOPS Rules and Regulations – was fully IPSAS compliant.

95. Some UNGM members had reservations about approving the budget when certain items listed are dependent on receipt of further funds from the HBP SC. The fear being that UNGM members may have to bear the costs should development work go ahead.

96. The UNGM Rolling Budget for 2015-16 was approved by the UNGM membership with the provision that if funds are not received from the HBP SC for Phase II of the UNGM Version 2.0 Project, the UNGM SC will not engage in any expenditures related to those activities and will revert to the UNGM membership to obtain instructions on the next steps.

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[2] It has since been determined that a new tri-partite MOA between the CEB Secretariat, UNOPS and UN/PD will be drawn up, based on the approach used for the VRR project.

(ii) Expansion of the UNGM Steering Committee

97.   Given an increase in the number of agencies that have joined the UNGM in recent years, the UNGM SC proposed that the membership of this governing body would be better represented by expanding it from 5 to 7 members.

98.   The UNGM membership agreed that the UNGM SC should be expanded from 5 to 7 members. Should a SC member need to resign from the committee, then the organisation the member belongs to at that time shall have the first right to propose a replacement. The UNGM Operating Modalities are to be amended accordingly.

99.   The new UNGM SC was subsequently elected, and will be comprised of the following organisations: FAO, IFAD, ILO, ITU, UN/PD, UNRWA and WIPO. The SC Chair will be Mr. Giorgio Fraternale (as Director Procurement, ILO) and the Vice-Chair will be Mr. Kiyohiro Mitsui (UN/PD). The new SC will be operational from November 2014. Until then, the current SC will continue to serve.

(iii) Distinction between UN Secretariat/Funds & Programmes vs. Specialised Agencies in the UNGM SC membership composition

100.   In the experience of the UNGM SC it is extremely important that SC members are motivated, share the UNGM goals, and are dedicated to its success regardless of which organisation they represent. The SC therefore proposed that the distinction between UN Secretariat/Funds & Programmes versus Specialised Agencies is discontinued.

101.   The UNGM membership agreed to the discontinuation of the distinction between UN Secretariat/Funds & Programmes versus Specialised Agencies in the UNGM SC Membership Composition. The UNGM Operating Modalities are to be amended accordingly.

(iii) Extending the duration of UNGM SC membership

102.   Due to the enduring nature of UNGM plans, strategies, policies and reforms, the UNGM SC proposed that the duration of the mandate of UNGM SC members should be increased from 2 to 4 years to ensure proper and effective management as well as implementation.

103.   The UNGM membership agreed to the increasing of the duration of UNGM SC membership from 2 to 4 years. The UNGM Operating Modalities are to be amended accordingly.

(iv) The creation of an Affiliate Member profile

104.   In order to address the increased demand for access to the UNGM by organisations that are neither part of the UN system nor qualified as International Financial Institutions, the UNGM SC proposed creating a new UNGM member profile called Affiliate Membership.

105.   For such Affiliate Members, UNGM would reserve the right to define ad-hoc limited access to some or all of the UNGM functionalities (e.g. limited access to LTAs, to the UNGM roster as a sourcing or a registration tool, etc). In particular, Affiliate Members should only be able to search and view LTAs but not access the documentation. To access LTA documentation

the Affiliate Member shall contact the relevant UN agency directly and obtain its agreement. Affiliate Members would have no voting rights.

106. It was proposed that the annual Affiliate Membership fee would be set at USD 10,000 - this fee would offset initial development costs associated with the establishing of the limited access rights.

107. The UNGM membership agreed to the creation of an Affiliate Member profile for organisations that are neither part of the UN system nor qualified as International Financial Institutions, and which would be subject to an annual fee of USD 10,000. The UNGM Operating Modalities are to be amended accordingly.

Overall conclusion

108. It was agreed that the overall language of the UNGM Operating Modalities would be reviewed, simplified and presented at the next PN meeting. The PN Outgoing Chair offered to support this endeavor.

X. SHOW & TELL: HARMONISING A SYSTEM-WIDE APPROACH TO FRAUD CASES OF IMPLEMENTING PARTNERS

109. This topic was presented by the PN Chair, Mr. Dominic Grace (UNDP). The full presentation can be found in *Annex 15*.

110. A recent case in Somalia has brought to OCHA's attention that when there is an allegation of fraud, an NGO may continue to receive funding from one UN agency while being suspended by another. The UN Board of Auditors has recognised this as an organisational weakness and recommends that a formal requirement for information sharing on the performance of implementing partners is established. Therefore, OCHA has asked the HLCM (and UNDG) to develop a common policy framework for risk management and information sharing across the UN System to be applied when working with implementing partners. (*Annex 16*)

111. The HLCM/CEB Secretariat in turn asked the PN to discuss similar or related cases, particularly with respect to the different modalities used by various organisations to contract implementing partners, and to the corresponding monitoring and oversight approaches. The PN is then to develop recommendations for the HLCM's consideration at its October 8 meeting, including with reference to the possibility (and corresponding required actions) of building on the work already completed by the Network with the Vendor Eligibility Framework.

112. In addition, the PN was reminded that the HLCM Strategic Plan 2013-2016 includes 'Strengthening the risk management and oversight architecture' as one of its five priorities. In response to the HLCM's mandate, the Finance and Budget Network has already developed a 'Proposal for a Reference Risk Management, Oversight & Accountability Model' (*Annex 17*), which will be submitted for approval by the HLCM at its forthcoming October meeting. The HLCM/CEB Secretariat asked for PN feedback on this proposed Model as PN views will be taken into consideration for the finalisation of the Model, prior to submission to HLCM.

Conclusion

113. With respect to the issues raised by fraud cases with Implementing Partners, the HLCM PN had the following feedback:

 i. It appears that UN organisations (as well as the IFIs) have different approaches to working with NGOs and for most organisations contracting with NGOs is not handled as a procurement process but rather as a programmatic issue. Most organisations are aware that there are significant risks in entering into relationships with these organisations. These risks include undue use of direct selection procedures, inadequate due diligence, poor contract management and lack of feedback mechanisms.

 ii. Independently of which office in an organisation is responsible for these types of relationships, basic principles applicable to procurement could be considered as a means of addressing the risks inherent in these contractual relationship including:

 a) Knowledge of the market (proper identification of all the suitable actors available in the market);
 b) Comparative evaluation of qualified vendors (ensuring transparency, competition and due diligence in selection process);
 c) Oversight mechanisms, quality control of the process;
 d) Diligent contract management.

 iii. The Vendor Eligibility Framework already developed and in use by some organisations, can be expanded/adapted by each agency to include NGOs within the scope (in UNDP and FAO this is already the case).

 iv. UNGM could be considered as a platform for sharing information regarding sanctioned NGOs. However, the implications of such expanded use must be considered and would require additional resources for any modifications to the platform identified as required to accommodate this use.

114. With respect to the 'Reference Risk Management Oversight & Accountability Model', the HLCM PN takes note of the document and is in general agreement with the approach articulated in it. However, there is no specific reference to the procurement function in the document which seems to be a high level model. More information on the implications for procurement offices as the Business Process Owners of the procurement function would be necessary before more specific or relevant comments can be provided.

XI. SHOW & TELL: THE ANNUAL STATISTICAL REPORT ON UN PROCUREMENT 2013

115. This topic was presented by Ms. Anna Spindler (UNOPS).

116. The 2013 Annual Statistical Report (ASR), released in July 2014, marks the 30th edition of this publication. A number of changes were introduced in connection with this year's data collection to ease and streamline the process for all agencies involved, and to also enhance the quality of the publication. UNOPS reported that the better quality and higher degree of conformity in the data received, together with more interaction with each agency, resulted in earlier submissions than in previous years, and also made the 2013 ASR more precise.

117.   The presentation outlined the highlights of the 2013 ASR and provided an update on current and future goals. There was also an update on the Automation of Data Collection Project – UNOPS has not received the funding yet from the CEB Secretariat. When it does, a consultant will be hired. The first phase of this project is expected to start with a feasibility study on 1 November 2014 and implementation is expected by Q4 2015. The full presentation can be found in *Annex 18.*

118.   UNOPS requested submission of data for the 2014 ASR by **9 March 2015**.

Discussion

119.   There was general agreement that the statistics are distorted by some organisations including contracts with individual consultants, NGOs/implementing partners etc. in their data. The reason for which being that the responsibility for these contracts falls under the procurement function in these organisations. The data is further distorted by 'double counting' whereby if one agency buys from another, both include the volume in their statistics.

120.   UN/PD mentioned that it can be difficult to provide totally accurate data because some contracts/purchase orders can be a mix of goods and services. It also suggested asking the agencies for feedback on the reporting templates in order to gather lessons learned and make any necessary changes.

121.   UN Women asked whether the templates for data collection could be shared earlier to facilitate earlier reporting.

122.   ITU highlighted that it is not using UNSPSC in its ERP and therefore had concerns about being asked to report on additional UNSPSC categories. UNOPS recognised this and offered to provide support to ITU. Further, UNOPS expressed interest in understanding how ITU has addressed its challenges in reporting data, so that others in a similar situation can be better supported.

123.   FAO informed that it was trying to simplify the use of UNSPCS codes and in some cases it encourages use of higher level codes rather than the level providing the greater granularity of data. Therefore, FAO may not be fully aligned with all efforts to move toward greater levels of granularity in the use of the codes.

124.   Several members expressed concern about being able to meet the requested deadline of 9 March 2015 for submission of 2014 data.

125.   The PN commended UNOPS on the publication of the 2013 ASR. It was agreed that UNOPS would organise a webinar/teleconference in order to address concerns raised and to capture additional comments and ideas.

XII.   SHOW AND TELL: HARMONISATION AND SIMPLIFICATION OF UN BUSINESS OPERATIONS

126.   This session was presented by Mr. Lars Tushuizen (UNDG) with support from Mr. Eric Dupont (UNFPA), and Mr. Ronny Lindstrom of the HLMC/CEB Secretariat who joined by video conference.

127. The first part of the presentation focused on the Business Operations Strategy (BOS), developed in conjunction with the UNDAF[3] as a voluntary instrument to be used at the country level by UN Country Teams (UNCT)/Operations Management Teams (OMT). It covers Joint Business Operations initiatives and provides strategic, medium term focus, and the basis for monitoring, evaluation and reporting on the business operations-harmonised framework

128. The advantages in the BOS are that it enhances linkages between Programmes and Operations, it reduces duplication of work processes & transaction costs, it enhances the quality of business operations, and it makes it more feasible to track and report on results beyond a single year.

129. The BOS is flexible in that it can be based on in-country capacity and needs - the UNCT/OMT can select multiple or just one outcome area (e.g. procurement) - and generally it takes 6-8 weeks end-to-end over a 5-year cycle to develop.

130. The second part of the presentation focused on the pilot in Brazil, which is unique as it will be using the Joint Operating Facility concept (JOF)[4], similar to Copenhagen and Viet Nam. The role of the JOF, staffing and cost benefits were presented in particular in terms of the procurement service line. The BOS is the strategic planning tool for the JOF.

131. The full presentation can be found in *Annex 19*.

Discussion

132. The HLCM/CEB Secretariat highlighted the relevance of the BOS to the PN – one of the pillars in the HLCM's Strategic Plan is to support Delivering as One (DaO). The work being done by the Harmonisation WG is the most tangible support that the HLCM has given DaO activities through the development of guidance, provision of capacity development support etc. Furthermore, procurement has been a central component in every one of the BOS pilots so far, so the support is critical.

UNDG provided the following responses to various queries:

133. The BOS pilots will be evaluated next year and this is likely to lead to a lightening of some of the tools.

134. The incentive for most of the countries to engage with the BOS is that they are looking for a management tool to better support their operations.

135. There is room for improvement in the area of BOS monitoring. It is currently being done via baselines and indicators. There are 10 mandatory indicators and 52 optional ones.

136. UNDG is considering an analysis to review whether the JOF and agencies' own regional service centres are complementary to each other and that one should not rule out the other. The transactions being carried out by regional centres tend to be transactional in nature (e.g. payroll) while the JOF deals more with the strategic processes of country operations.

137. In the Brazil JOF the contracts are UNDP ones, but UNDP functions purely as an administrative agent. The actual service lines are managed on a lead agency basis.

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[3] United Nations Development Assistance Framework

[4] Covering the service lines of Procurement, HR, ICT and Travel

However, a common procurement manual is currently being developed that will be the governing framework for future procurement activities.

138.   The JOF will act as a sourcing partner and it has no access to agencies' ERPs. In terms of how the agencies are going to report on/categorise JOF service charges in a harmonised manner in their annual statistics will have to be determined.

139.   UNDG will follow up on the delegation of procurement authority of the joint procurement team that was mentioned as a pre-condition.

140.   UNDP pointed out apparent similarities between the BOS and the IAPSO[5] business model and suggested that inspiration could be sought there.

141.   The PN Chair thanked UNDG for attending the PN meeting and providing insight into the BOS. It is hoped that UNDG will become a regular participant at PN meetings.

XIII.   SHOW AND TELL: WORLD BANK GROUP (WBG) CORPORATE PROCUREMENT REFORM

142.   This topic was presented by Mr. Bryan Cook (World Bank).

143.   WBG Corporate Procurement has introduced a number of procurement initiatives incorporating some private sector practices and systems development. The larger WBG reform has recognised the role that Corporate Procurement plays in achieving value and efficiency in the WBG.

144.   The presentation summarises the reforms, the new alignment and approach for Corporate Procurement at the WBG and can be found in *Annex 20.*

Discussion

The WB provided the following responses to various queries:

145.   In order to track and document savings, Corporate Procurement staff enter as much data on contractual transactions as possible into a database. It is then assessed whether the savings should be recorded as hard, soft or as a cost avoidance.

146.   Customer satisfaction is very important but very challenging. It requires a change in mind-set for customers to see themselves as a strategic partner.

147.   Corporate Procurement has just undergone a strategic staffing review. Cuts were made at the higher level and teams were made deeper instead in order to ensure adequate staffing for data entry etc.

148.   Corporate Procurement has been able to reduce the number of contracts it has by 8% through the reform activities. It is however, difficult to consolidate multiple small contracts as many of them are for consultants.

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[5] Inter-Agency Procurement Services Office

XIV. SHOW AND TELL: AN INTRODUCTION TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

149. This topic was presented by Mr. Hans Møller Sørensen (UNFCCC).

150. The UNFCCC, located in Bonn and seeking PN membership, briefly presented the organisation and its procurement functions; including procurement methodology, approaches and statistical data on its annual procurement.

151. The full presentation can be found in *Annex 21*.

Discussion

152. In response to a query from the WB, UNFCCC informed that the Green Climate Fund (GFC) became an independent body last year, although UNFCC is still providing it with interim support in terms of procurement, HR and travel.

153. UNFCCC agreed to explore how its work links to the UN Foundation, RED, and revert to UNDG.

XV. SHOW AND TELL: AN INTRODUCTION TO THE ASIAN DEVELOPMENT BANK (ADB)

154. This topic was presented by Mr. Olivier Leonard (ADB), also seeking membership to the PN.

155. The presentation gave a snapshot of the corporate procurement function at ADB, current practices and challenges, and highlighted the steps that are being taken and envisaged in order to streamline the procurement process and bring it into line with modern practice.

156. The full presentation can be found in *Annex 22*.

Discussion

157. The UNGM SC Chair suggested that ADB could consider using the basic registration functionality of the UNGM for (automatic) vendor approval and informed that there is a community of In-Tend users using the UNGM for e-tendering via In-Tend. ADB responded that it is exploring a similar solution to In-Tend at present.

158. In response to a query from UNHCR about the business model of the banks with 2 separate procurement functions, ADB clarified that its corporate procurement function does the actual procurement whereas its operations (project) procurement focuses on consulting and capacity building.

XVI. SHOW AND TELL: SUCCESS STORIES BY THE AFRICAN DEVELOPMENT BANK (AFDB)

159. This topic was presented by Ms. Yvette Glèlè-Ahanhanzo (AfDB).

160. The presentation provided information on the following initiatives that AfDB has undertaken to improve its procurement operations: (i) CIPS Corporate Certification, (ii) a new Procurement Policy and Delegation of Authority Matrix, and (iii) returning to AfDB Headquarters in Abidjan after more than 10 years in Tunisia.

161.   The full presentation can be found in *Annex 23*.

Discussion

AfDB provided the following responses to various queries:

162.   It is typically possible during the early stages, when the project is being designed and negotiated, to influence borrowers on spending strategy. ADB added that at this point a loan agreement would be drawn up which serves as a detailed roadmap for the procurement part of the project.

163.   In terms of disclosure of award information, for all open tenders above 50,000 USD AfDB publishes summary information on its website e.g. name of the contractor, price, duration of the contract etc.

164.   An 'Intention to Award' letter is sent out to the selected contractor. At the same time, letters of regret are sent to the unsuccessful bidders informing them why they were not awarded the contract, which contractor was selected and the price. The unsuccessful bidders are then given 7 days to request a debriefing if they wish. Once the 7 days have passed the process concludes and the contract is awarded.

XVII. HLCM/CEB SECRETARIAT BRIEFING

165.   Mr. Ronny Lindstrom, Senior Coordinator at the CEB Secretariat (UNOG), provided the following update remotely by video conference.

166.   Following the HBP Steering Committee's recent approval of the continuation of work on the UNGM, the CEB Secretariat is simplifying the disbursement of funds by amending the existing Memorandum of Agreement with UN/PD, as soon as possible.

167.   There is now only 400,000 USD remaining in the trust fund administered by the HBP SC. However, 1 million USD is in the pipeline from Switzerland and a further 900,000 USD from Sweden – split into 3 tranches over 2-3 years, with the first instalment expected later in 2014.

168.   The PN has been very successful in delivering on funded projects and this has been recognised by the Member States. The CEB Secretariat therefore requests the assistance of PN members in raising further funds. To facilitate this, the CEB Secretariat has prepared a summary and talking points (*Annex 24*) for PN members to refer to when meeting with potential donors.

169.   The PN is expected to be approached for input to the ICT Network's recently launched 'ERP Inter-Operability Study', mandated by the GA. ERP inter-operability has been reported as an obstacle to DaO activities hence the study. When approached, the CEB Secretariat asks that PN members remind/inform the study team about the work that has been accomplished under the Harmonisation Project so as to avoid new or duplicate processes being set up.

Discussion

170.   The PN Chair informed that the PN would be happy to support fund-raising efforts and cooperate where needed on the 'ERP Inter-Operability Study'.

171. He also updated the CEB Secretariat on new projects requiring funding that the PN has in the pipeline, namely, the Harmonisation Project, Phase III (final phase), and a study to identify additional areas for collaboration procurement. Although the PN recognises that there is a shortage of funding, it would be keen to get the latter off the ground quickly.

172. The CEB Secretariat informed that the HBP SC has already foreseen these projects and included them in the funding proposals for the Swiss and Swedish governments. Therefore, the new funds that are expected have already been 'earmarked' for these projects.

173. The UNGM SC Chair reminded the CEB Secretariat of the (pending) request for funds for UNGM Version 2.0, Phase II.

174. The PN Chair thanked the CEB Secretariat for its support and informed that the two new funding proposals would be submitted shortly.

XVIII. FINALISATION OF OUTSTANDING DECISION ITEMS

176. UNFCCC and ADB were voted in and welcomed as new members of the Network.

177. The World Bank volunteered to lead the Study on Collaborative Procurement. UNOPS and ILO expressed interest in being part of the group. IFAD suggested that the UNGM should also be represented in the group.

XIX. VENUES FOR FUTURE SESSIONS, MEETING WRAP-UP & CLOSE

Next venues

178. The next PN session will be hosted by FAO in Rome on 11-13 March 2015.

179. UNRWA, UNFCCC/UNV and WB (the latter tentatively) offered to host subsequent PN meetings.

Closing

180. The PN Chair thanked everyone for a constructive meeting with focused discussions and tangible results. He thanked the WG Chairs and everyone who presented Show & Tell sessions, his Co-Chairs and the PN Secretariat for their support, and finally the hosts at AfDB for their excellent assistance in organising the meeting.