



HIGH-LEVEL COMMITTEE ON MANAGEMENT (HLCM) PROCUREMENT NETWORK

**Summary of Conclusions of the First Session of the
High Level Committee on Management's Procurement Network**
(Johannesburg, South Africa, 11-15 June 2007)

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I. INTRODUCTION AND BACKGROUND

1. The *High Level Committee on Management's Procurement Network* held its first regular session in Johannesburg, South Africa from 11 to 15 June 2007 under the Chairmanship of Mr. David Smith (Chief of Procurement, UNFPA, Copenhagen), as agreed upon at the 31st Inter-Agency Procurement Working Group meeting held in Brazil, June 2006¹. A list of participants is provided².

2. The Inter-Agency Procurement Working Group (IAPWG) is a forum of senior procurement practitioners of the United Nations System of Organizations, who was brought together in April 2007, under the Chief Executive Board's (CEB) High Level Committee on Management (HLCM) to establish a Procurement Network³. Its *mandate* is to promote the strategic importance of Procurement and Supply Chain Management in programme and service delivery in a transparent and accountable manner. Its programme of work furthers the efficiency and effectiveness of the procurement function within the UN system, through, inter alia, collaborative procurement arrangements, simplification and harmonization of procurement practices, and by fostering professionalism amongst staff that are responsible for procurement. The Network, through information and knowledge sharing, promotes procurement opportunities to potential suppliers from developing countries, as well as those from countries with economies in transition, and also supports where possible capacity development for procurement in those countries where the UN organizations serve. UNDP/IAPSO has been serving as the Secretariat since its inception.

3. The meeting in Johannesburg, South Africa followed the *format* of four days of closed meetings and discussion for members of the group around an agreed agenda⁴, and one business contact day with selected suppliers from the host country.

4. Mr. Iqbal Sharma from the *Department of Trade and Industry of South Africa* welcomed the group⁵. The Department of Trade and Industry was thanked by Mr. David Smith for hosting the meeting, facilitating the business contact day and their assistance in the practical arrangements of the event⁶.

II. ADOPTION OF THE AGENDA

5. The *agenda* as adopted by the Procurement Network⁴ included:

(a) Overview of the work of the IAPWG during 2006¹

¹ Final Report of 31st IAPWG meeting, Brazil, 2006

² List of Participants

³ Reference to CEB/2007/3

⁴ Summarised agenda

⁵ Opening speech by Mr. Iqbal Sharm from Department of Trade and Industry

⁶ Opening statement from Mr. David Smith, Chairman, 1st Session of the HLCM Procurement Network

- (b) Finding new ways of working as HLCM's Procurement Network^{1, 3 & 7}
- (c) Feedback UN Procurement Certification Project⁸ and FAO's Certification Initiative⁹
- (d) United Nations Global Marketplace (UNGM)¹⁰, Vendor Management in general, and Ethics¹¹
- (e) Supplier Developing¹² and Sourcing¹³
- (f) General Procurement Issues¹⁴;
- (g) Election of Vice Chair and Venue for next meeting.

6. All *documents* concerning the session and related presentations can be viewed on the UNGM website: <http://www.ungm.org/iapwg/>.

III. OVERVIEW OF THE WORK OF THE IAPWG DURING 2006¹

7. In accordance with established practice, the IAPWG Secretariat briefed the Group on the *work done* as captured in the 2006 Final Report¹. Niels Ramm and Susan Struck, IAPWG Secretariat, presented the outcomes.

8. All recommendations and decisions in Final Report of 2006 have been implemented with the following *exceptions*.

- Agenda item 5, p. 7: The suggested Practicioners Forum has not been established yet. Organizations were requested to promote the concept and submit details of procurement staff to the Secretariat.
- Agenda item 6, p. 8: A sub-working group on Prequalification was not formed as the Chairman for the sub-working group on Vendor Management, Morten Hovda (ILO) took on new challenges, and so did the Vice-Chair, Mikko Lainejoki (UNICEF). This work will now continue under the Terms of Reference for the Sub_working Group on Vendor Management and UNGM, which is led by Mr Fredrik Schultz from UNRWA. For more information, also refer to the Section VI of this summary.

⁷ Presentation by Mr. Paul Buades, on UN Secretariat's *Procurement Reform and General Assembly Expectations*

⁸ Presentation by Mr George Jadoun on *UN Common Certification*

⁹ Presentation by Ms. Tatyana Nychyperovych from Global Development Group on *FAO's Training and Certification Programme*

¹⁰ Presentation by Nr. Niels Ramm, IAPWG Secretariat on Report of UNGM Steering Committee and 2006/2007 Developments

¹¹ Presentation by Mr. Paul Buades, UN Secretariat, on *Status of Ethics*

¹² Presentation by Sylvie Bétemps, ITC on the *Buying from Africa for Africa initiative*

¹³ Presentation by Mr Van To Nguyen, UNHCR on *Sourcing from China*

¹⁴ Presentation by Mr. Anatoli Kondrachov, UNOG on Efforts of Common Procurement Activities Group in Geneva

IV. FINDING NEW WAYS OF WORKING AS HLCM'S PROCUREMENT NETWORK^{1,3,7}

9. The Network devoted *two days* of its session to reflect and discuss 1) the future working operations, 2) the challenges and expectations of stakeholders, 3) the priorities for the work plan of the Network, and 4) to initialize the work of the respective sub-working groups.

10. At the beginning of the discussion, Mr Paul Buades (UN Secretariat/DM) presented his perspectives of *Procurement Reform in the UN Secretariat* and the expectations of the General Assembly⁷ as it pertains to the larger UN procurement community and the IAPWG specifically. He referred to the following documents in his presentation: A/60/846/Add. 5, A/RES/61/246 and A/61/858¹⁵.

11. Mr Buades underlined that with respect to the Network, the UN Secretariat would need *continued co-operation and support* in 1) preparing and submitting proposals to effectively increase procurement opportunities for and the participation of vendors from developing countries, as well as facilitate the organization of business seminars in developing countries and countries with economies in transition. (see para 55, 56), 2) further developing UNGM as the professional UN procurement platform and tool to facilitate its vendor registration (see paras 45, 47), 3) and as a secondary priority, provide a platform for vendor certification. Each of the issues raised by Mr Buades was discussed and decisions, recommendations and actions in this regard are reported under the referenced paragraphs.

12. The Chairman, Mr. David Smith, UNFPA then briefed the Network on the 13th *Session of the HLCM* and referred to the document, CEB/2007/3³, para. 43-50, which outlines the IAPWG's transformation into the HLCM's Procurement Network.

13. Members agreed that the Network needed to find *new ways* of galvanizing both its strength in diversity and in harmonizing procurement efforts in meeting the programmatic, service delivery and/or policy objectives of each member organization, as well as of the UN system as a whole. For these reasons the Network members must change their ways of working together and this involves, 1) more focused agendas, 2) effective plenary and working group meetings, and 3) strong leadership of the Network as a whole and of working groups.

14. In framing its *agenda*, the Network took into account the relevant needs and issues of the HLCM, the General Assembly as well as those of the membership. In doing so, four broad areas of focus have been identified for the Network in its first year of operation. It is around these that working groups were formed. The focus areas include:

- UN reform¹⁶;
- Vendor management¹⁷;

¹⁵ Relevant extracts from A/60/846/Add. 5, A/RES/61/246 and A/61/858

¹⁶ Terms of Reference for the Sub-Working Group on UN Reform

¹⁷ Terms of Reference for the Sub-working Group on Vendor Management and UNGM

- Procurement professionalisation¹⁸; and,
- Developing countries and economies in transition supplier access¹⁹.

15. During the plenary session, the Network approved the *terms of reference, deliverables and work plans*¹⁶⁻¹⁹ of each of the sub-working groups. It was agreed that reports from each sub-working group would be distributed at least one month prior to each of the meetings of the Network. Matters of relevance to decision-making by the HLCM are then taken forward to the following scheduled meeting.

16. The Network decided to meet *in plenary every six months* at least six weeks prior to the HLCM meetings. These meetings would be held at headquarters locations, until such time that the Network makes a final decision on the format of meetings, i.e. whether it should include a business contact day and/or be hosted by a developing country or country with economy in transition.

17. *Sub-working groups meetings* would either take place at the time of the Network meetings or at other times and in a manner consistent with member needs, for example by teleconference or video conference. The working groups are responsible for delivering on the agendas agreed by the Procurement Network in plenary.

18. In both the plenary and working group sessions, the Network aims to achieve *consensus* around topics that promote greater UN cohesion in procurement related matters and effort. It is recognized that the differing business needs and models of each participating UN organization could make achieving uniformity of approach difficult. However, discussions within the Network increase mutual understanding of the differing perspectives of the members.

19. In terms of *leadership*, the Network agreed to maintain its current model, where the Vice Chair is elected by the membership alternating between the Funds and Programmes and Specialised Agencies. The Chair or Vice-Chair should attend the HLCM meetings and present the recommendations of the Network for HLCM consideration.

20. *Sub-working group chairs* are identified at plenary meetings and are accountable to the Network for facilitating the output of their respective sub-working groups including the delivery of reports to the plenary at least one month before Network meetings.

21. The *members* of the HLCM Procurement Network are those nominated by their respective organizations to participate in the Network.

22. The *Secretariat* of the HLCM Procurement Network is provided by the UNDP in a manner consistent with the services provided by the CEB Secretariat for other HLCM Networks.

23. Information seeking discussions took place around the *impact of the partial merger* of UNDP/IAPSO and UNOPS which, as per the intended decision, sees the Secretariat role, and the functions related to the UNGM and business seminar coordination, separated. Both James

¹⁸ Terms of Reference of the Sub-working group on Professionalisation

¹⁹ Terms of Reference on the Sub-working Group on Supplier Access from Developing and Economies in Transition Countries

Provenzano (Director, OLPS/UNDP) and Jan Mattsson (Executive Director, UNOPS) however, assured Network members of their continued support for and commitment to functions performed by the Secretariat. Further discussions in this regard would take place once the intended decision has been finalized.

24. The majority of members of the Network stressed their *satisfaction with the current Secretariat* arrangement. The provision of an autonomous inter-agency set up to act as the Network's secretariat, away from any particular organization's politics and management change but with talent and capacity in the business area of procurement was favored and strongly supported.

25. Strong opinions were voiced in terms of the handling of the issue of the Network's Secretariat, and that of the intended decision to move UNGM to UNOPS, without prior consultation with members of the Network, especially given that members fund the work of the UNGM. *Final discussions* on both these issues should thus take place in consultation with the Network members in the spirit of transparency and mutual ownership.

26. It was agreed that a *Service Level Agreement* with the organization/s that undertake the respective function/s should be drawn up to ensure the current level of service and momentum is maintained.

V. FEEDBACK UN PROCUREMENT CERTIFICATION PROJECT⁸ AND FAO'S CERTIFICATION INITIATIVE⁹

27. Mr. George Jadoun (Chairman of the sub-working group on Common UN Procurement Certification) gave a presentation⁸ providing the background for the work of the sub-working group. At the end of the presentation he posed *two questions* to the Network. 1) Is Common Procurement Training and Certification still desirable? 2) If yes, can this be accomplished prior to the harmonization of Rules and Regulations and systems in line with UN Procurement Reform?

28. The presentation by Mr. Jadoun was followed by lively discussions on the pro's and con's, as well as the *initial* and final *objectives* of UN Common Training and Certification Project as prescribed by the Project's Steering Committee. However, it was agreed that common training and certification would not alone accomplish the goals of professionalisation of procurement and thus the *answers* to both questions posed by Mr Jadoun were most likely 'no'.

29. The Network *agreed* that professionalization of procurement in essence involves two aspects. 1) Institutionalising of professional procurement practices in the respective organizations, i.e. quality management, risk management frameworks, and online systems that ensure best practice is encouraged and shared. 2) Continuous training to keep staff up-to-date with the evolving and dynamic markets of today while external certification, if deemed necessary, may be pursued at the discretion of individual agencies. The Network thus agreed that Common UN training and certification are no longer desirable.

30. In conclusion of the issue of UN Common Training and Certification will thus not be part of the agenda of future meetings, but the issues will be dealt with under Professionalisation in UN Procurement. Balance unspent Project funds will be returned by ITC-ILO to the UN Secretariat/DM.

31. Finally, it was agreed in principle that individual organization would build their own training around their own systems and rules, and should work towards a strategy to enhance professionalism in their procurement organizations.

32. Network members were referred to the information with regard to training programmes available, certification bodies, as well as the Practitioners Handbook, and the state-of-the-art UN procurement competency baseline which were developed by the Project and are available on www.ungm.org.

33. Members of the Network requested that *special mention* should be made to the efforts and tireless commitment of Mr. George Jadoun and the members of the SWG in dealing with this issue and the changing requirements of the Network over the past years. The ground work done by the group and the outcomes as mentioned in the Final Report of the IAPWG¹ are to be commended and appreciated.

34. Mr. Jadoun was also elected as Chairman for the *Sub-working Group on Procurement Professionalisation*. (See para 14)

35. *FOA's certification programme* was presented by Ms Tatyana Nychyperovych from Global Development. See contact details in list of participants².

36. *FAO's need for training and certification* arose from the mentioned factors of inherited staff and decentralization of its procurement function. Its position is shared with a number of the smaller and specialized agencies.

37. The Network was impressed by the outcome of the FAO training and certification programmes. Several agencies indicated that they would be *interested in piggy backing* of the work initiated by FAO. Members were invited to contact the FAO representative directly for more information.

38. UNHCR and UNDP briefly shared the contents of their *procurement-related certification* programmes with the Network. Members were invited to contact UNHCR and UNDP representatives directly for more information.

VI. UNITED NATIONS GLOBAL MARKETPLACE (UNGM)¹⁰, VENDOR MANAGEMENT AND ETHICS¹¹

39. Network members *unanimously applauded* the work done on the United Nations Global Marketplace during 2006/2007 in improving usability and functionality.

40. Concerns about moving *UNGM to UNOPS* and its implications for the further development were raised. Mr. Jan Mattsson, UNOPS assured the Network of UNOPS commitment to maintain and develop the systems in line with the expectations of members. He also indicated that UNOPS would be keen and willing to take over the staff related to UNGM to ensure continuity and maintain service levels.

41. It was further proposed to establish a *Service Level Agreement* with regard to services provide around UNGM to professionalize relationship in an attempt to ensure a stable environment until such time that a final decision is taken.

42. Lengthy discussion followed on the *payment model* for UNGM. The current cost sharing model was challenged by many and especially WFP reiterated its dissent to continue with the current cost sharing model, anticipating that if such model was retained, it would not be sustainable any longer for WFP. The Sub-working group presented a cost sharing model based on three main streams of income for UNGM: 1) A fixed “club membership” fee established at US\$ 5,000 per agency, 2) An agency specific cost share based on the business volume and actual relevance (number of vendors submitting registrations) and 3) income deriving from value added services provided to vendors. This model was considered substantially more equitable than the current one and enjoyed support by a large majority of the members. A final decision on the new model was deferred in order to allow some members to consult respective headquarters. The discussion was informed by tables illustrating the financial impact for each organization. The tables are attached to the Terms of Reference for the Sub-Working Group on Vendor Management and UNGM¹⁷.

43. The need for all organizations to use UNGM for *uploading procurement notices* or *providing web-links to their procurement notice websites* was stressed as it is critical in implementing the value-added services for which suppliers could be required to pay. All organizations committed to ensuring the implementation of this process in their procedures.

44. *Discussion* were held on the minimal value that the UNGM has been as a sourcing tool for some of the agencies with highly technical or specialized products as well as agencies operating with a largely decentralized procurement structure , and such should be reviewed by the sub working group. The current beta testing of local vendor registration was considered a step in the right direction.

45. *Discussions* were also held on the possibility of uploading data on annual statistics from agencies ERP systems to the UNGM in order to reduce the processing time of data compilation. It was also discussed whether other issues such as supplier registration and uploading of procurement notices could be uploaded via ERP system to UNGM. There was limited information on how this could be done as well as mixed opinions on the feasibility and cost-effectiveness and therefore no conclusion was reached.

46. The need for *general marketing materials* for UNGM and a newsletter on latest developments was raised and this would be incorporated in the work plan of the Secretariat.

47. A *sub-working group* was formed under the leadership of Mr Fredrik Schultz, UNWRA to deal with the above issues and the Terms of Reference for this sub-working group is attached¹⁷.

48. Mr Paul Buades, UN Secretariat did a presentation¹¹ on the work done in terms of *Ethics*. UN Secretariat has historically taken the lead in this topic in the IAPWG. The presentation touched on a definition on conflict of interest, UN Secretariat policies in terms of post-employment restrictions, and specific provisions made such as the establishment of an Ethics Office, whistle blower protection and financial disclosure, zero toleration for gifts and hospitality and UN Supplier Code of Conduct..

49. A number of Network members expressed their concern that procurement staff is singled out on the issue of ethical behavior. Other visible and critical functional areas, which contributed to the UN's public image were identified in Finance and Human Resources. In general there was agreement that all staff should be subjected to guidelines for ethical behavior and that when considering "ethics in procurement" staff participating in the entire supply chain be subject of awareness raising, training, ethics competency review in the performance assessment and scrutiny. .

50. It was *agreed* that guidelines for Ethical behavior for both suppliers and staff should be published on UNGM and that ethics-related training should also be included.

51. The issue of 'suspect vendors' as it relates to the HLCM's request, noted in CEB/2007/2 para. 49, to include a review of the modalities for *automatic suspension of suppliers* upon suspension by one of the network members, was discussed.

52. *Issues* such as 'suspected vs convicted', reasons for suspension, duration of suspension, conditions under which suspension would be lifted, etc. were raised in the plenary and showed that there are several issues that need to be taken into account.

53. The *review* will be prepared on this issue in consultation with Network members and respective legal offices. This work will form part of the work done by the sub-working group on UNGM and Vendor Management¹⁷. The review will be ready for the next session of the HLCM in September 2007.

VII. SUPPLIER SOURCING AND DEVELOPMENT

54. The Network, through information and knowledge sharing, promotes *procurement from developing countries*, as well as those from countries with economies in transition, and also supports where possible capacity development for procurement in those countries where the UN organizations serve.

55. The Network is acutely aware of its responsibility in this regard and thus formed a *sub-working group* charged specifically with Developing Country Supplier Access¹⁹ to look at different approaches and models. The group will work under the leadership of Joselito Nuguid from UNICEF. The Terms of Reference for this sub-working group is attached¹⁹.

56. One of the ways in which the Network illustrates its commitment, is by including a *business contact day* in its annual meeting. The business contact day is preempted by a thorough introduction of host country's suppliers on how to do business with the UN. It also includes detailed information about registration procedures and how to identify opportunities. In South Africa's case, the preparatory workshops were held in April 2007 in Johannesburg, Port Elizabeth, Durban and Cape Town and approximately 400 potential suppliers were reached. These suppliers were then screened and further trained by International Trade Centre's 'Buying from Africa for Africa' initiative before selecting 50 excellent potential suppliers²⁰ for one-on-one meetings with procurement heads and staff from the represented organizations.

²⁰ List of South African suppliers selected for one-on-one meetings with UN organisations

57. The Network also raised its concerns about the *impact* of the intended decision of the IAPSO/UNOPS merger on the Secretariat's role and resources in this regard. Currently business seminars are coordinated through the Network's Secretariat and the associated business contact day and its preparatory seminars are taken care of by the Secretariat.

58. Sylvie Bétemps Cochin presented ITC's *Buying for Africa from Africa* initiative¹². The initiative was met with enthusiasm and appreciation and was an excellent catalyst for discussions on supplier sourcing and development.

59. *Discussions* focused on finding ways to ensure communication flow between organizations and ITC, making efforts relevant to suppliers and local procurement officers, involving relevant government bodies, and ultimately 'certifying' suppliers from developing or countries with economies in transition.

60. Mr Van To Nguyen presented UNHCR's efforts on *Sourcing from China*¹³.

61. The Network cautioned on the perception of favoring one supplier group over another, as well as highlighting issues in supplier sourcing in general such as language, after-sales and warranties.

VIII. GENERAL

62. Mr Anatoli Kondrachov, UNOG introduced the work and results of the Common Procurement Activities Group (CPAG) of the United Nations Office at Geneva (UNOG) and the International Organizations based in Geneva¹⁴.

63. The Network also discussed the use of LTAs among organizations and it was suggested that organizations add a clause to enable other UN agencies to use the same agreement.

IX. ELECTION OF VICE CHAIR AND VENUE SELECTION

64. Mr. Dominik Heinrich from World Food Programme was elected as the Vice Chair. Mr. Paul Acriviadis from World Health Organization succeeds Mr. David Smith as Chair of the HLCM's Procurement Network for 2007/2008.

65. The suggestion of *de-linking business contact days* from the annual Procurement Network meeting made for discussion. All members supported the need to ensure that specific sourcing activities occur in developing countries, but members expressed differences of opinion on the modality and on the success of the past business contact days. Some members, in particular those that had fewer field based colleagues to assist with local sourcing, preferred that the annual business contact day continue to be linked with the Procurement Network meeting. Other members thought the business contact days should be part of a larger strategy and work plan to ensure that more than one country was targeted per year and to ensure effectiveness for both the participating supplies and agencies.

66. A show of hands could not conclude a decision and it was agreed that the best way forward was 1) for the Network to convene in headquarters locations during 2007/2008, 2) and to consider the proposals of the sub-working group on Developing Countries Supplier Access, before making a final decision on this matter.

67. As no offers to host the 2008 meeting were received and in view of the current changes, the Network decided to have the next two meetings in headquarter locations. The next meeting will take place in Copenhagen and be hosted by UNFPA. Timing of the meeting is anticipated approximately 6 weeks before the HLCM meeting scheduled for 20-21 September 2007.