



**Chief Executives Board
for Co-ordination**

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HIGH-LEVEL COMMITTEE ON MANAGEMENT (HLCM) PROCUREMENT NETWORK

**Summary of Conclusions of the Second 2007 Session of the
High Level Committee on Management's Procurement Network**
(Copenhagen, Denmark — 27 & 28 September 2007)

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I. INTRODUCTION AND BACKGROUND

1. The *High Level Committee on Management's Procurement Network* held its 2nd 2007 session at the UNICEF Supply Division premises in Copenhagen, Denmark on 27 and 28 September 2007 under the Chairmanship of Mr. Paul Acriviadis (Coordinator, Contracting & Procurement Services, World Health Organisation, Geneva), as agreed upon at the 1st session of the Procurement Network held in Johannesburg, South Africa, June 2007¹. A list of participants is provided².

2. The meeting in Copenhagen, Denmark followed the *format* of two working days of closed meetings and discussion for members of the group around an agreed agenda³.

II. ADOPTION OF THE AGENDA

3. The *agenda* as adopted by the Procurement Network included:

- (a) Feedback from the 14th HLCM Session
- (b) Feedback on UNOPS/IAPSO partial merger
- (c) Review on Vendor Suspension⁴
- (d) Progress Reports from the Sub-Working Groups on Professionalisation⁵, UN Reform Developing Supplier Access⁶, and Vendor management including UNGM⁷
- (e) Presentations on Integrating Procurement and Programmes⁸, OPCW's Ethics training briefing⁹, Greening the UN — Update on the Work of the EMG and linkage to the HLCM Procurement Network¹⁰
- (f) General Procurement Issues;
- (g) Venue for next meeting.

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

¹ Meeting Summary of HLCM Procurement Network's 1st Session, Johannesburg, South Africa, 2007

² List of Participants

³ Summarised agenda

⁴ Agenda for 2nd Session

⁵ Review on Vendor Suspension

⁶ Report from sub-working group on Supplier Development

⁷ Report from sub-working group on Vendor Management and UNGM

⁸ Presentation on 'Integrating Procurement and Programmes' by UNICEF

⁹ Presentation on 'OPCW's Ethics Training'

¹⁰ Presentation on 'Greening the UN' by UNEP

III. FEEDBACK FROM THE 14TH HLCM SESSION

5. James Provenzano (Director, UNDP/OLPS) *attended* the 14th Session of the HLCM on behalf of the HLCM Procurement Network in New Jersey.
6. The Summary of the Meeting held in Johannesburg, South Africa was *submitted* to the HLCM, as well of the Review on Vendor Suspension.
7. A paper¹¹ highlighting the *work of the four sub-working groups* was presented for comments and suggestions of additional areas to explore. No additional areas were suggested.
8. The *United Nations Global Marketplace* (UNGM) was recognized by the HLCM as the gateway to both external stakeholders and the internal community of practice.
9. It was suggested that a '*thinking or issues*' paper was submitted at the next session of the HLCM, highlighting the issues which are being dealt with at present. The following issues could be included: balancing the needs and demands of individual organizations to act quickly and effectively and how to work as 'one' group; issue of giving 'rights' to vendors; how to have an efficient process and achieve transparency and fairness without having heavy due-process elements.
10. In addition, the *General Terms and Conditions* need to be revisited, and work on the vendor suspension issue and coordination issues should be continued.
11. The Procurement Network was encouraged to move forward in developing its *work plans*. Detailed work plans for each of the sub-working groups will be presented to the HLCM PN for its first session in 2008.
12. UNICEF raised the *overlap between the HLCM and HLCP* and the impact on the influence of the Procurement Network on procurement matters as they related to programme spent. Network members agreed that this is an issue worth exploring, especially in terms of the perception that organizations are competing on the procurement front, where the HLCP would be a more appropriate vehicle to address this issue. It is suggested that the Network should compile a list of recommendations in this regard and submit to the HLCM.

IV. FEEDBACK ON THE PARTIAL IAPSO/UNOPS MERGER

13. Jan Mattsson, UNOPS, Executive Director thanked the Network for its patience with regard to the *partial merger between IAPSO and UNOPS* and the impact on the Procurement Network.
14. It was reported that the compilation of the *Annual Statistical Report* has been transferred to UNOPS and was now part of its mandate.
15. James Provenzano, UNDP, explained that as from 1 January 2008, *UNOPS* would provide the following services to the HLCM Procurement Network: UNGM, Annual Statistical Report, coordination of business seminars, and other related publications.

¹¹ Paper prepared for HLCM's 14th Session

16. UNOPS assured the Network that its intention was to *transfer services* and staff in a seamless manner and to continue the support and services as in the past 27 years provided by IAPSO as Secretariat to the HLCM Procurement Network.

17. UNDP would retain the *Secretariat function* associated with the day-to-day management of the Procurement Network for the time being.

18. UNPD enquired about the continuation and *updating of publications* such as the General Business Guide and Practical Guides to Procurement. UNOPS assured the Network that work would continue as in the past. Stressed that no hard copies would be published in-line with the practices over the past years.

19. The drafting of a *Service Level Agreement* was suggested. UNOPS agreed if that was a need of the members of the Network and was confident that the relationship between itself and Network would not be different to the relationship between IAPSO and Network.

20. UNICEF questioned to which extent an organization driven by financial considerations could be an *honest broker* or *intermediary*. UNOPS agreed that this could be an issue and the issue has been discussed internally and with the Board. UNOPS remained confident that it was able to deal with these issues and appealed to the Network to continue the good dialogue if issues should arise.

21. Several network members raised the question whether the current *high level of service* provided by the Secretariat could be maintained. UNDP stressed that other professional networks function in this manner and that ultimately the responsibility for outcomes should lie with members and not with its Secretariat.

22. The Network briefly discussed *issues* of shared LTAs, lead agency concept, as well as the possibility of UNOPS branding inter-agency services separately from other service provision. The only issue which remained outstanding and without a real solution, was that of providing procurement training to other UN agencies, as UNDP would not be providing this service to external partners in future and UNOPS was not anticipating providing training.

V. REVIEW ON VENDOR SUSPENSION

23. UN Secretariat/DM took the *lead* on the review and a draft was circulated to membership prior to the meeting. All comments from Network have been incorporated.

24. The Network decided that the Review would be send to *HLCM Legal Network* for input to the suggested questionnaire. The Procurement Network agreed that finalizing the review for the next HLCM PN session would be not be a realistic target. Network members would alert respective legal entities of the review and provide background.

25. The Network addressed several issues for consideration of *inclusion* in final report. These are addressed in the subsequent paragraphs.

26. The Network understood that drafting and enforcing a *policy* with regard to the suspension of vendors was not within its power, but lied with each organisation's legal entity. This Network would however be the body to implement these policies.

27. The Network agreed that discussions with regard to protecting organisations in the *interim* should take place. It was agreed that organisations should share details informally to at least raise awareness and alert one another to potential problematic vendors.

28. The following issues were raised for consideration: How to deal with situations where one agency blacklist a vendor, but vendor holds a contract with another agency; notification of member states; what due process would constitute and how each organisation would deal with it; best practises to be compiled; how vendor suspension would be accommodate in policy and strategy; language in General Terms and Conditions to deal with sensitivities regarding terrorism.

29. It was suggested that as a starting point, UNGM contained a statement that if a vendor featured on *List 1257* and was charged by its national jurisdiction, the vendor will not be accepted. This should eliminate suspect vendors upfront and allow organisations to consider due diligence at the end.

30. 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.

31. UNDP suggested that organizations share *lists of vendors* who are not eligible for doing business with the United Nations on an informal basis. Ideally, the first effort should be to avoid to future use of suspect vendors as early as the registration process.

32. It was recognized that not all organizations use UNGM as their sole vendor registration tool and thus this precaution would not have the full desired effect. A *non-UNGM mechanism* needed to be identified, as well as a legal and contractual framework which would guide actions.

33. It was suggested that *UNGM focal points* inform UNGM Secretariat of suspect vendors and that information was shared with the various agencies. Although this solution was agreed to, it was stressed that this practice also could have implications in terms of transparency and fairness. UNICEF suggested that organizations inform one another when a vendor was placed under investigation, as well as when a vendor was found guilty or innocent.

34. UNDP and UNPS would *outline a process* and explore a mechanism for a UNGM notification system or a possibility of a list on the Procurement Network site.

35. FAO emphasized the difference between *cautioning* and *excluding* vendors and that a caution policy was required.

36. It is agreed that the *questionnaire* would be further developed and circulated to the legal network and auditors. Questionnaire would provide information needed to clarify formation of information shared, decision makers, etc.

VI. SUB-WORKING GROUP ON PROFESSIONALISATION OF PROCUREMENT

37. ITC for ILO would provide the Network with a *proposal for next steps* by the end of February 2008.

38. The Network acknowledged the void that would be left when UNDP/IAPSO no longer offered *training* and it would investigate other possibilities and alternatives. ITC for ILO would investigate and report back at next meeting.

39. A *strategy paper* would be produced for the 2008 March meeting.

VII. SUB-WORKING GROUP ON UN REFORM

40. UNICEF suggested that organizations list *areas of collaboration*.

41. UNICEF also suggests that a smaller working group was formed to work on the *harmonization of rules*.

42. FAO questioned the sub-working group's aggressive timeline and how it related to the timelines for *One UN*. It was suggested that the SWG communicated with the coordinating body for piloting countries in order to align relevant efforts.

43. A *draft strategy* to be circulated by the end of February 2008 was planned.

44. *Discussions* continued around a number of relevant aspects, such as work done by UNDG, common services, inclusion of IPSAS, etc.

45. Suggested that *PN Secretariat* drove this process.

VIII. SUB-WORKING GROUP ON SUPPLIER ACCESS

46. The strategy paper produced by the SWG was well received by the Network and recommendations were *fully supported*.

47. UNOPS suggested a number of possibly *funding possibilities* that could be explored.

IX. SUB-WORKING GROUP ON VENDOR MANAGEMENT

48. The issue of *membership* of UNGM was raised again. The intention and ultimate success and effectiveness of UNGM require membership from all organizations.

49. Issues such as *prequalification* and has not be dealt with, but this should not hamper cooperation.

50. It is agreed that the suggested *Service Level Agreement* would firm up and regulate agreements with UNOPS in terms of service provision and safeguard all parties. The SWG supported by the UNGM Secretariat will present a draft of the SLA to the membership.

51. A *UNGM newsletter* was foreseen with the intention that this would help to demystify HLCM Procurement Network and the UNGM.

52. The *UNGM funding model* was discussed in depth. Niels Ramm from UNGM Secretariat presented the model that was agreed upon in principle at the South Africa meeting. This model is 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 actual number of vendors submitting registrations per agency, and 3) Income derived from value-added services provided to vendors. Members adopted this model for the future funding of UNGM and agreed to the issuing of the 2007 invoices based upon this calculation methodology.

53. *FAO and WHO*, whilst not yet using the UNGM to register vendors agreed to publish procurement notices and contract awards on UNGM and to pay the membership fee component of the funding model.

54. Ultimately the funding of UNGM could only be successful if *all organisations* upload expression of interest, procurement notices, etc. in order for vendors to have the real benefit in paying for the value-added service provided by the subscription fees.

55. Agreed that it was critical to publish a clear statement on what value-added services implied and that all vendors still had access to the information which other vendors might chose to pay for. Fee was for *convenience* and not discrimination.

56. The issue of *competition* surfaced again and UNDP requested that organizations that have reservations about uploading their expressions of interest and procurement notices to UNGM for this reason, forward these reasons and proposals for dealing with this issue to the PN Secretariat.

57. The Chairman of the SWG urged organisations to deal with *registration of vendors* timely to ensure that a level of service is perceived and realised.

58. Discussion about vendors’ *perception of the meaning of ‘registration’* via UNGM brought to light that misconception could be created. A registered vendor does not equate an approved vendor. Suggested that ‘registered’ is replaced with ‘listed’.

X. DISCUSSION ON COMPETITION BETWEEN AGENCIES/ORGANISATIONS

59. Attending organisations and agencies *agreed* that this issue valid a thorough discussion.

60. The concepts of *competition, collaboration and coordination* were identified and discussed. It was agreed that it was not easy to identify areas of real or potential competition via a snapshot.

Collaboration has taken and is taking place without any force. We owe coordination to the broader UN Reform efforts.

61. A *snapshot* of partnerships, strategic procurement, what organizations do not focus on, services and goods, amounts and purpose, should enable a meaningful conversation. PN Secretariat to coordinate. The Annual Statistical Report would provide a good starting point.

62. Acknowledge that relevant information could relieve the underlying *sense of mistrust* and lack of knowledge of what each organization or agency do. It is suggested that this level of mistrust, rather than potential competition, hampers and prevents cooperation.

63. *High fees and advance payments* also contributes to mistrust and lack of collaboration.

64. Agreement that it was critical that the donor community view United Nations as a **unity** and that resources were used to ensure optimal implementation and optimal allocation of time and resources.

65. The limitations around sharing *long-term agreements* were discussed. There were issues with vendors not wishing for agreements to be extended to other agencies (due to payment or other issues, smaller quantities, etc), risks involved with agencies using LTAs for items they have no experience and expertise in and thus risking lives of receivers and reputations of perceived lead agency, etc.

66. It was suggested that agencies with a *specific requirements* approach the Procurement Network when looking for a specific LTA or advice.

67. It is also suggested to *map LTAs* available for sharing and the Secretariat is requested to coordinate this.

XI. INTEGRATING PROCUREMENT AND PROGRAMMES

68. UNICEF presented this topic.

69. It is suggested that two or more agencies do a presentation at each meeting to highlight their **procurement practices**.

70. Discussions focused around the *perception* of procurement in respective agencies, i.e. administrative or operation function vs. integral part of programme delivery.

XII. PROCUREMENT ETHICS TRAINING IN OPWC

71. *OPWC's ethics training programme* was a direct results of the explosion in the Oil For Food scandal

72. Training was aimed at *all staff* involved in procurement process, such as requisitioners, certifying officers, finance staff, inspection unit,. Contracts committee members, all chairperson, heads of units, legal advisors, internal auditors and directors.

73. Materials from *Practioner's Handbook* were used.

74. *Focus* was on principles and guidelines, and perceptions rather than rules.
75. UNPD stressed that it was important to provide staff with a '*hotline*' to consult when in doubt. Ideally that should be the Head of Procurement.
76. The Network agreed that Ethics for Vendors should be featured on *UNGM* and be a permanent item on meeting agendas and should also feature prominently in the '*How to Do Business with the UN*' presentation.

XIII. SUSTAINABLE PROCUREMENT

77. *UNEP* presented this topic as a follow-up on a presentation to the Network in 2005.
78. The Network *recognized* the importance and relevance of sustainable and green procurement, however it struggled with prioritizing this in terms of other procurement priorities.
79. It is agreed that information on environmental issues and how it related to suppliers and procurement will be added to *UNGM*.
80. *UNEP* is request to *draft a paper* for circulation on practical first steps for UN agencies to consider.

XIV. VENUE SELECTION

81. The Network agreed that the format and venues for meeting needs further *discussion*.
82. It is requested that the *Guidelines for Venue Selection* be reviewed at the next meeting.
83. *Amman, Jordan* is selected as the venue of the March 2008 meeting. UNRWA to facilitate arrangements.