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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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Montreal, 02-04 April 2002

**RESULTS OF THE ANALYSIS OF THE CURRENT PROCUREMENT PROCEDURES
OF THE IMPLEMENTING AGENCIES**

1. At its 38th meeting, the Executive Committee decided, in the context of the aerosol evaluation report (Decision 38/2, (d)):

“To request:

...(ii) The implementing agencies:

- To ensure that in the bidding specifications, the provision of manuals in a language understood by the engineers of the beneficiary company was foreseen, as well as interpreters during equipment installation, if necessary;
- To take the necessary measures to ensure that a fair and equitable opportunity was given to all competent suppliers, regardless of location, in the procurement of goods and services for aerosol sector projects;
- To analyze the current procurement procedures and consider ways and means, within the limitations of their contracting procedures, to include as much input as possible from the country and the beneficiary company concerned when composing the list of potential bidders being considered for all projects, and request them, together with the Secretariat, to report on the progress made in the implementation of sub-paragraph (ii);...”

2. Answers received by the relevant implementing agencies (UNDP, UNIDO, World Bank) are attached in edited form and as discussed with them. They describe, as requested, in some detail the bidding and procurement procedures the agencies follow in general and for projects funded by the MLF in particular.

3. It appears that the existing regulations and procedures foreseen by the agencies take care of the concerns expressed in the above decision. They allow for consideration of particular requests and needs of beneficiary companies, for example, the translation of manuals, generally into English, French or Spanish, and the hiring of interpreters during installation. This needs to take into account, however, the limitations imposed by budgetary and time constraints and also the possibilities for counterpart funding, in particular for the costly and difficult translation into local languages which might be limited to essential safety and maintenance provisions in the manuals. The use of interpreters during installation might also be for short periods of instruction and training of key personnel rather than for the total duration of sometimes several months needed for the installation process and trial runs.

4. It is apparent, too, that while the information on international biddings is accessible, potential bidders, especially less known companies, have to be pro-active in order to obtain such information in time and to be considered for short-listing. Pre-qualification can be a difficult hurdle for new suppliers, as both the beneficiary companies and the implementing agencies aim to ensure smooth project implementation and operation of the equipment as well as the long-term availability of spare parts and after-sales services. In the case of aerosol equipment, manufacturers in a few Article 5 countries have recently become more competitive and might need to be examined more carefully.

5. The beneficiary companies have the opportunity to participate actively in the specification of equipment and services required but have to be clear and specific about their particular requirements during project preparation, in order to assure that they are taken into account in good time. Such specific requests should be and generally are taken into account by the implementing agencies, especially if the beneficiary company is ready to pay for the cost difference to lower-cost offers. While UNDP and the World Bank allow this as regular practice UNIDO is still examining the legal possibility to do so.

6. Only UNDP was able to provide statistical data for the actual regional distribution of equipment suppliers for the aerosol sector. According to the information received, 52% of equipment contracts awarded from 1993 to 2002 went to suppliers in the USA, 34% in the UK and 13% in Italy. UNIDO provided general information about procurement sources for all projects funded by the MLF. 66% of equipment, materials and supplies in 2002 came from Western European countries, 22% from developing countries in Africa and Asia, 9% from Latin America, and 3% from other countries. 66% of contracts for services and work went to developing countries in Asia and Africa, 28% to Western European countries, 5% to Latin America, and 1% to Eastern European countries. For the World Bank such analysis would require substantial research effort, because the bidding and procurement is decentralized and handled by the financial intermediaries in Article 5 countries.

Annex I: Procurement Procedures of UNDP

1. For Montreal Protocol projects, UNDP solicits bids directly from pre-qualified manufacturers for equipment to be procured under investment projects. Only equipment manufacturers which have the financial, technical and production capability necessary to perform the contract, and have adequate facility to provide local after-sales services, technical support and availability of spare parts will be invited to participate in the international competitive bidding (ITB) process. Bids invitations are usually forwarded to equipment manufacturers rather than trading houses to avoid the higher costs paid for commissions.

2. Through experience gained in the ITB process by UNDP/UNOPS (UN Office for Project Services) and its Country Offices, rosters of potential suppliers have been established for equipment in different sectors. The rosters are established taking into account past experience on responses to the ITB and the results (technical responsiveness, cost, local after-sales services etc.) of the ITB process for similar equipment.

3. For procurement actions with an estimated value of US \$30,000 or more and less than US \$100,000, a minimum of 3 firms should be shortlisted. For procurement actions with an estimated value of US\$100,000 or more, UNDP procurement rules recommend that a minimum of 6 to 12 firms should be shortlisted. However, more than these minimum numbers of firms should be used where required to achieve appropriate competitiveness. For both financial limits, the shortlist should include firms from each of the following groups of countries:

- (a) From developing countries, including the recipient country;
- (b) From industrialized countries.

4. As normal practice, UNDP/UNOPS forward equipment specifications and shortlist of potential bidders to the recipient enterprises for their review and confirmation. Recipient enterprises are given opportunity to add additional bidders provided that such suggested bidders can demonstrate their qualifications to perform the contract.

5. In the ITB and purchase order/contract, suppliers are required to provide manuals, training materials and conduct training in the language commonly used in the country where the equipment is to be used. If an equipment supplier is not able to provide this documentation in the language of the country, at the minimum, English, French or Spanish manuals will be provided. In many cases, local representatives of the equipment suppliers are present during equipment installation at the enterprise site.

6. To promote wider participation, trade missions of many countries are contacted regularly to solicit interested qualified bidders.

7. Starting 2003, UNDP initiated actions to advertise “Procurement Notice” for equipment to be purchased under its many multi-year sector plans in two web sites: the United Nations Development Business web site and the IAPSO (UNDP Inter-Agency Procurement Services Office) web site. Both web sites are known sources for information on procurement opportunities for the UN system. In addition, if procurement websites are available in the country of the recipient country, such Procurement Notice will also be posted in the local procurement website. Posting at these websites are free of charge to UNDP. UNDP is not in a position to advertise in international or national print media of a particular country due to the high cost required to place such advertisement. Similarly due to administrative and cost constraints, it is not practical for UNDP to advertise such Procurement Notice in print media of all or many countries.

8. For the past few years, more than two-third of all goods and services procured for MLF projects (mostly for foam projects) were awarded to equipment suppliers in Germany, Italy and USA, while some contracts were also awarded to suppliers in several A5 countries. For aerosol projects, 52% of equipment contracts went to suppliers in the USA, 34% in the UK and 13% in Italy.

Annex II: Procurement Procedures of UNIDO

1. UNIDO routinely ensures through the bidding specifications that manuals are provided for in a language commonly understood by the engineers of the beneficiary company. The supplier is asked to do that within the bid price. Their request for quotation form includes an item in which a specific language can be requested for technical literature such as manuals. Normally, they specify an official language of the U.N. system such as English, French and Spanish.

2. However, if a particular recipient company, has trouble with any of those official languages, UNIDO could ask the supplier to translate the manuals into another language required. It is to be noted, however, that a manual and the related technical documentation may consist of thousand or more pages, thus the translation is a very costly service, and usually cannot be perfectly done by the suppliers. For this reason, the most effective approach is to request the companies with special language needs to provide the translation as part of their counterpart inputs. Thus, before the start of the project it is always agreed with the counterpart which of the above three languages will be used during the implementation of the project. The same applies to interpretation. The installation of equipment for the conversion of a refrigeration company for instance, could last up to four to five months. Delegation of interpreters for such a long period by the implementing agencies (even if they are locally recruited) would be very expensive.

3. The UNIDO procurement process is based on the principle of fair and equitable opportunity to all competent suppliers of goods and services, regardless of location or nationality. We maintain an extensive and diverse roster of vendors that is continuously updated. Member states are allowed to provide candidate suppliers for inclusion in the roster. UNIDO, from time to time, advertises on its web page requests for submission of interest of companies wishing to enter into our roster of suppliers. Furthermore, occasionally requests for bids for higher amounts are also put on our web page, as well as on the web page of IAPSO (Inter-Agency Procurement Services Office).

4. UNIDO routinely ensures that a good cross section of companies from a diverse base of countries is invited to quote on all our bids. It is part of their normal procedures to ask governments and local beneficiary companies to either add the names of qualified local suppliers to the list of invitees, or to propose their own list of local suppliers for inclusion in our roster. It is very common in UNIDO's practice to request the beneficiaries to provide names and addresses of potential local bidders for technical services, machinery or auxiliary equipment (tanks, pumps, emergency generators, piping, etc.). UNIDO's entire procurement process is based on as much diversity as possible, including active involvement of local vendors. As a result, they have many contracts with local suppliers for equipment and services.

5. In order to ensure a fair and equitable procurement process, all contracts and purchases that amount to \$70,000 or more, are routed through a Committee on Contracts that ensures that UNIDO's rules and regulations governing competitive bidding are adhered to. There is an official procurement manual as well as a manual on financial rules and regulations that provide clear instructions on the formal bidding process including calling for proposals, opening of bids and awarding of contracts.

Annex III: Procurement Procedures of the World Bank

1. IBRD has long-established guidelines for both procurement and selection of consultants. Although the guidelines mention in their “General Conditions” that the responsibility of procurement lies squarely in the hands of the borrower, or in our case, the beneficiary, the guidelines on how procurement is executed *must* be adhered to in all IBRD projects. This arrangement is sealed in the legal agreement between the Bank and its client. Each legal agreement under normal Bank operations is reviewed and approved by its Board of Directors. In the different stages of the procurement process, the Bank’s role as trustee of the funds is to review all procurement decisions to ensure that procurement and selection guidelines are followed.
2. The guidelines promote economy and efficiency in procurement, transparency, and equal opportunity to compete in providing goods to all eligible bidders from developed and developing countries, while also encourage the development of national industries and consultants. Competitive practice is the best practice in procurement and all Bank clients are legally bound to apply this rule. This is why international competitive bidding (ICB), where possible, is the most favored procurement method.
3. Because procurement must be done by the country beneficiary, the bidding specifications are also prepared by the beneficiary. The beneficiary may hire consultants to assist in preparing specifications and it is the beneficiary’s responsibility to see to it that the consultants are given proper guidance on the expected output. If ICB is utilized, all bid documentation must be in either English, French or Spanish (one of these languages must be specified). However, the beneficiary enterprise can later specify a local language requirement for the contract with the winning bidder, if it is a local bidder. In terms of the language of manuals or individuals installing the equipment, if the beneficiary chooses to have a manual which is in the local language as part of the goods, or a technician to install the equipment that is a native speaker as part of the services to be purchased, it must specify this in the bid documentation (they can also be made bid evaluation criteria) and later in the contract.
4. As mentioned above, the principles of fair and equitable opportunity are embodied in the mandatory procurement guidelines employed by Bank clients. To ensure competitive bidding, timely notice of a bidding opportunity must be given. If the ICB method is utilized, the client must prepare a General Procurement Notice which is published in *Development Business*. Because projects under the MP program are fairly small in terms of funding and goods and services required, other procurement methods are often utilized such as limited competitive bidding (direct invitation to bid without advertisement) and international shopping (by choosing, based on cost, from at least three suppliers of “off the shelf” goods). However, the general principles of the guidelines still apply and these other methods, and parameters for their use, must be specified in the legal agreement between the country and the Bank.
5. Because the responsibility of project implementation, including procurement under Bank projects, is with the beneficiary country, lists of bidders are compiled¹ by the country and/or the country beneficiary. This means there is de facto compliance by the Bank with the above ExCom request.

¹ This depends on the procurement method used – in ICB, initial lists would not be compiled, there would be advertisement for bid invitations. Criteria for short listing prospective suppliers are also in the guidelines.

6. The guidelines on procurement and selection of consultants represent years of experience and have been amended over the years to reflect evolving best practice in international procurement and consultant selection. Nonetheless, there are cases where bidders are not satisfied with the outcome of a bid competition. It is their right, under the guidelines to request explanation by the country beneficiary why its bid was not selected and to pursue the matter with the Bank if it is not satisfied with the response.