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OCCASION

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UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

**PROCUREMENT
OF EQUIPMENT AND
SERVICES
FOR UNIDO
FIELD PROJECTS**

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INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna**

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**UNITED NATIONS
New York, 1982**

UNIDO PROGRAMMES OF ASSISTANCE

The United Nations Industrial Development Organization was established by the United Nations General Assembly in 1966 as an autonomous body within the United Nations to promote and accelerate the industrialization of the developing countries and to co-ordinate the activities undertaken by the United Nations family in this field. UNIDO came into existence on 1 January 1967 and has its headquarters in Vienna.

This brochure gives information on one of the methods used by UNIDO in fulfilling its mandate.

PROCUREMENT OF EQUIPMENT AND SERVICES FOR UNIDO FIELD PROJECTS

In carrying out its own technical co-operation and pre-investment projects and those assigned to it by the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO) purchases equipment and supplies and also awards contracts for consulting services needed to implement the projects for which it is responsible.

At UNIDO headquarters in Vienna, the responsible office is the Purchase and Contract Service (PAC), which is a part of the Division of Industrial Operations. It is responsible for: (a) purchasing technical equipment and supplies, arranging deliveries, maintaining inventories of the material in the field and disposing of it once the project is completed; (b) awarding contracts to consulting organizations to provide technical and advisory services both for field projects and UNIDO headquarters. Main purchasing activities cover requirements for machinery and equipment for metal transformation, mechanical workshops, textile, leather, woodworking, plastic processing and packaging industries, materials testing, measuring and regulation instruments and chemical pilot

PURCHASING

plants. Consulting services cover such areas as industrial technology, management, maintenance and repair of industrial equipment, free trade zones, industrial fairs, industrial estates, quality control, standardization and metrology, marketing and promotion of export industries. They range in scope from the preparation of techno-economic feasibility studies to the construction and initial operation of experimental and/or pilot industrial plants.

Increasing efforts are also being undertaken in the developing countries to locate potential sources of supply for equipment and experienced consulting firms under the programme to foster technical co-operation among the developing countries.

When a project requires equipment and/or supplies, the UNIDO project staff prepare the specifications in consultation with the recipient Government. Minor items that are promptly available may be purchased by the UNIDO project staff locally.

The purchasing procedures of PAC are governed by the United Nations Financial Regulations and Rules. Requirements and requests for proposals or inquiries are usually advertised; but if substantial amounts are involved formal invitations to bid may be extended to potential suppliers world-wide. Orders are placed with the lowest technically acceptable bidder, with due consideration for such factors as standardization with existing equipment and local servicing arrangements. The purchase arrangements may also include, when appropriate, the installation and start-up of equipment and the training of local personnel.

The time required from initiation of requisitions by the field staff until delivery of supplies and equipment to destination may vary from 2 to 12 months, depending on the type of equipment (standard or non-standard), on the manufacturer's delivery time for the particular goods and on shipping factors. The early determination of adequate specifications and prompt submission of requisitions is therefore of the utmost importance.

Orders have been placed in more than 90 countries. The increasing total value of equipment

purchased in the past five years is shown in table 1.¹

TABLE 1. EQUIPMENT PURCHASES

Year	Value (millions of dollars)
1980	18.0
1981	19.3
1982	24.4
1983	14.7
1984	18.6

Besides the actual purchasing operations, PAC arranges for delivery of the consignments to destination and is responsible for periodic inventory controls. UNIDO retains title to the equipment until completion of the project, when PAC arranges for its transfer to the recipient Government or to other projects.

¹Reference to dollars (\$) is to United States dollars.

CONTRACTING

Procedures and timing

The placing of contracts by PAC covers the provision of any type of industrial advisory services under a commercial-type contract with a consulting organization. The consulting organization may be a private firm, an institute, a state enterprise or any corporate body.

A contract may cover the execution of laboratory tests, the provision of one or more specialists, a pre-investment or feasibility study, assistance in the organization and management of industries or the design and erection of a pilot plant. In some cases the contractor provides expertise and equipment under inclusive arrangements. The contract duration may range from one month to several years.

When subcontracting is employed, the UNIDO substantive division concerned prepares the terms of reference in collaboration with UNIDO project staff and the recipient Government. The terms of reference detail, *inter alia*, the services to be performed and the schedule for their performance. On the basis of these PAC invites costed proposals from a short list of consulting organizations selected primarily for their qualifications and experience for the particular assignment. The selection criteria also take into consideration geographical distribution, including both developed and developing countries, the utilization of available financial resources and expressions of interest relating to a particular project.

The list of those organizations that are to be invited to submit proposals is sent to the UNDP resident representative for clearance with the recipient Government. The Government may delete specific names or suggest alternatives; it does not, however, select or indicate priorities.

PAC invites organizations on the approved list to submit costed proposals, giving them a time limit of four to six weeks. The proposals, on receipt by PAC, are evaluated by the UNIDO substantive division for technical acceptability and by PAC administratively and commercially. In accordance with United Nations Financial Regulations and Rules, and with the approval of the UNIDO Committee on Contracts, the award is made on the basis of the lowest technically acceptable proposal, and the contractor and the recipient Government are informed accordingly.

The time required for awarding a contract depends in part on the rapidity with which the recipient Government clears the list. Under favourable conditions, the contractor's personnel can begin work in 12 to 14 weeks from receipt of full documentation by PAC. In the great majority of cases, work is completed on schedule, and the results have given general satisfaction to all parties concerned.

Administration and evaluation

The contractor is fully responsible to UNIDO for the execution of the contract and maintains a close liaison with the UNIDO project manager and

the UNDP resident representative in the country concerned. PAC is responsible for administering the contract and the substantive division is responsible for the technical aspects. Periodic reports are required from the contractor to assess progress and performance. The draft of the contractor's final report is reviewed in detail by UNIDO and comments are supplied for the contractor's guidance in formulating his report before it is submitted to the recipient Government. On conclusion of each contract, the substantive office and PAC prepare a report evaluating the contractor's performance.

Operations

Contracting is employed, as a matter of UNIDO and UNDP policy, to speed project implementation, to tap all available sources of expertise and to increase the capacity of the United Nations system.

Many projects and particularly those requiring teams of specialists and/or substantial home-office support can be more suitably and speedily implemented through subcontracting. Current policy is therefore to decide in the initial stage of project planning whether execution can more appropriately be carried out by recruiting individual experts or by subcontracting.

Consulting services are being subcontracted in the developed and developing countries, and in both the centrally planned and the market economies. Approximately 3,000 organizations are

listed in PAC records. UNIDO contract awards have been made to organizations in more than 45 countries since operations began in late 1969. Table 2 shows the total value of UNIDO contracts for services in the past five years.

TABLE 2. CONTRACTS FOR SERVICES

Year	Value (millions of dollars)
1980	9.3
1981	15.8
1982	9.2
1983	7.8
1984	12.2

Table 3 gives PAC assistance in terms of value and as a percentage of total UNIDO technical assistance rendered in the last five years.

TABLE 3. EQUIPMENT AND CONTRACTUAL SERVICES PROVIDED BY PAC AND THEIR PERCENTAGES OF UNIDO TOTAL TECHNICAL ASSISTANCE

	1980		1981		1982		1983		1984	
	Value (millions of US\$)	Per. centage	Value (millions of US\$)	Per. centage	Value (millions of US\$)	Per. centage	Value (millions of US\$)	Per. centage	Value (millions of US\$)	Per. centage
Equipment	18.0	23.7	19.3	21.8	24.4	26.6	14.7	18.8	18.6	21.3
Subcontracts	9.3	12.2	15.8	17.9	9.2	10.0	7.8	10.0	12.2	14.0
Total	27.3	35.9	35.1	39.7	33.6	36.6	22.5	28.8	30.8	35.3
Total technical assistance	76.1		88.4		91.9		78.0		87.2	

REGISTRATION OF MANUFACTURING AND CONSULTING ORGANIZATIONS

PAC maintains world-wide lists of manufacturers and suppliers of equipment and of consulting organizations. These records serve as the primary basis for the selection of bidders for equipment and for the invitation of contract proposals. Interested manufacturing and consulting organizations seeking registration with UNIDO are requested to address their inquiries to:

Head, Purchase and Contract Service
United Nations Industrial Development
Organization
Vienna International Centre
P.O. Box 300
A-1400 Vienna
Austria

PAC provides the necessary registration forms and all relevant information and instructions free of charge.