



Asian Development Bank

Board of Directors

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Use of the United Nations Development Programme
Procurement User Guide for Procurement of Goods,
Equipment, and Services Using Funds Transferred
by the Asian Development Bank to UNDP under
the Memorandum of Understanding between
ADB and UNDP

1. Attached for the consideration of the Board is a paper on the above subject.
2. In the absence of any request for discussion and in the absence of a sufficient number of abstentions or objections (which should be communicated to The Secretary by the close of business on 22 March 2007), the recommendation in paragraph 7 of the Paper will be deemed to have been approved, to be so recorded in the minutes of a subsequent meeting of the Board. Any notified abstentions or objections will also be recorded in the minutes.

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The attached document has a restricted distribution until it has been approved by the Board of Directors. Following such approval, the document will be available to the public.

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I. INTRODUCTION

1. The Asian Development Bank (ADB) and the United Nations Development Programme (UNDP) have, over the years, collaborated on a number of activities in several different areas. Recognizing the merit of developing a more systematic approach to cooperation between the two institutions, the Memorandum of Understanding (MOU) for Administrative Arrangements between ADB and UNDP was signed on 9 May 2001. In 2005, both ADB and UNDP agreed that the MOU needed to be reviewed and updated to allow for greater clarity in operational procedures and to facilitate opportunities for enhanced collaboration. Based on extensive discussions and consultation between ADB and UNDP, a revised draft MOU for administrative arrangements was prepared. The draft MOU has been reviewed interdepartmentally. It has also been reviewed by UNDP.

II. USE OF UNDP PROCUREMENT USER GUIDE FOR PROCUREMENT OF GOODS, EQUIPMENT, AND SERVICES USING FUNDS TRANSFERRED BY ADB TO UNDP

2. Appendix B of the draft MOU contains the administrative arrangements for project cooperation and implementation for modalities where (i) UNDP transfers funds to ADB, (ii) ADB transfers funds to UNDP, and (iii) ADB and UNDP use parallel financing arrangements.

3. Para. 22(b) of Appendix B specifies that "funds transferred by ADB to UNDP shall be used for procurement of equipment, goods and services from eligible ADB member countries only...", and para. 23(b) states that "all procurement of goods, equipment and services using funds transferred by ADB to UNDP for the project shall be by open and competitive selection processes within the country eligibility set out in para. 22(b)...."

4. With regard to documentation and other procedures, para. 24 of Appendix B, Section B, stipulates that "subject to compliance with the country eligibility noted in para. 22(b) and to open and competitive selection noted in para. 23(b), all procurement of goods, equipment and services using funds transferred by ADB to UNDP for the project shall be carried out using and in accordance with UNDP policies, procedures and documentation for the procurement of goods, equipment and services as set out in the *UNDP Procurement User Guide*." A reciprocal provision in para. 2(a) of Appendix B, Section A, allows ADB to use its *Procurement Guidelines* (2006, as amended from time to time) when ADB is an implementing partner for UNDP for a project using UNDP funds transferred to ADB.

III. RATIONALE

5. It would be administratively cumbersome for ADB and UNDP to use each other's procurement and consulting services guidelines for funds transferred between the two institutions. ADB has reviewed UNDP's *Procurement User Guide* which addresses both (i) the procurement of goods, works, and services; and (ii) the recruitment of consultants. The UNDP guide shares the principles of economy, efficiency, fairness and transparency embodied in ADB's *Procurement Guidelines* and *Guidelines on the Use of Consultants* (2006, as amended from time to time), and requires similar bidding, evaluation, and contracting methods. Accordingly, while retaining ADB's member country eligibility requirement, it is considered appropriate to allow UNDP to use its *Procurement User Guide* for projects financed by ADB-transferred funds. UNDP is agreeable to a reciprocal agreement when it transfers funds to ADB-administered projects.

6. ADB's *Procurement Guidelines* and *Guidelines on the Use of Consultants*, approved by its Board of Directors on 6 February 2006, state that the procedures outlined therein apply to all contracts for goods, works, and services (including consulting services) financed in whole or in part by ADB. Therefore, allowing UNDP to use the *UNDP Procurement User Guide* for procurement of goods, equipment, and services (including consulting services) is an exception and, as such, requires the approval of the Board of Directors.

IV. RECOMMENDATION

7. In view of the above, when ADB transfers funds to UNDP for a project, it is recommended that the Board of Directors approve the use of UNDP's *Procurement User Guide* for the procurement of associated goods, works, and services (including consulting services).