

Government Contracts Blog

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A Brief Look At United Nations Procurement: Going International ... Sort Of

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The following is the first in a series of postings which will provide a brief look into UN procurement intended to help potential contractors assess the viability of doing business with the UN.

In an era of shrinking procurement budgets, federal contractors are increasingly seeking new opportunities abroad. But many companies understandably view navigation of the numerous rules, regulations and laws associated with international procurement as daunting at best and unfeasible at worst. Luckily, there exists a middle ground allowing companies the opportunity to expand globally without ever dialing a country code or resorting to Skype – the United Nations.

United Nations Procurement: A Primer

The United Nations is a 65-year old organization of 192 member countries aiming to foster and facilitate international security and global economic development. The UN is funded primarily through voluntary contributions of its member states and is made up of five principal active “organs,” the General Assembly, the Security Council, the Secretariat, the Economic and Social Council, and the International Court of Justice. Under each organ lies a bevy of agencies, organizations, commissions, and programs created to tackle specialized tasks or problems. Known as the “United Nations System of Organizations,” these specialized units include agencies such as the United Nations Children Fund (“UNICEF”), United Nations High Commissioner for Refugees (“UNHCR”), the United Nations Educational, Scientific and Cultural Organization (“UNESCO”) and the Department of Peacekeeping Operations.

Each of the five principal organs and the numerous specialized units have procurement needs that, due to the variety and breath of UN missions, require the UN to procure an extraordinary variety of goods and services. Generally addressed and managed by the UN’s Department of Management, goods procured by the UN can range from food and pharmaceutical supplies to household/domestic items, computers and telecommunication equipment and vehicles suiting numerous purposes. The services the UN procures are similarly diverse and include security, engineering, leasing, property management, freight services and, like most large organizations, construction.

In 2009, the UN’s annual operating budget was \$2 billion – yet the value of its procurement of goods and services was roughly \$14 billion. This disparity is made possible by UN receipt of funds from the development budgets of countries participating in UN national development programs combined with loans from international lending institutions. This blend of funding has enabled the UN to triple procurement outlays over the last ten years, from \$5 billion in 2003, consisting of \$1.5 billion for goods and \$3.5 billion for services, to nearly \$14 billion in 2009, consisting of \$6.5 billion for goods and \$7.5 billion for services.

The UN reports that in 2009, 12.6% of the goods and services procured, or \$1.7 billion, came from the United States. However, as a key goal of UN procurement is to advance the economies of developing nations, the UN may exclude US businesses from a procurement if a developing nation is able to provide an equivalent good or service. US contractors will recognize this approach as analogous to our own small business preference program under which large businesses may be excluded from certain procurements.

Registering With The UN As A Vendor Of Goods And Services

The first step towards participation in UN procurement is registration, which is an on-line vetting process that permits the potential vendor to be entered into the United Nations Global Marketplace (“UNGM”) database, thereby rendering it visible to approximately 2,200 procurement personnel in 37 UN agencies and enabling access to on-line tender and solicitation announcements. Registration also permits companies to receive solicitation announcements through a subscription service should they choose to do so.

The initial phase of the registration process entails assessment of the applicant’s responsibility and divides potential vendors into two distinct camps. If the vendor has at least three years of documented export experience, that vendor will be permitted to register with the UN as a “Global potential supplier” and eligible to interact with 19 UN agencies, such as the International Atomic Energy Agency and/or the International Fund for Agricultural Development. Vendors with less than three years of export experience will be limited to registering as a “Local potential supplier,” and only able to provide goods and services to UN agencies in that potential supplier’s country of residence (*i.e.*, for U.S. companies the UN Headquarters in New York). This differentiation could be an important factor in the selection of evaluation agencies with which a company chooses to register, as discussed below.

On completion of the initial registration phase, the potential vendor commences the process of formal registration on the UNGM, which includes submission of company information and, importantly, the selection of at least one UN agency with which to register as a potential vendor (*i.e.*, UNICEF, UNHCR, *etc.*). Potential vendors may seek to register with more than one evaluation agency but should take care to assure that the goods and services they offer will be needed by the agencies identified because the application will be rejected if no agency identifies a need for the goods and services offered. That said, the approval of only one agency is required for successful completion of registration and consequent eligibility to sell to any UN agency.

Registration also requires the vendor to use the United Nations Common Coding System (“UNCCS”) to identify up to seven types of goods or services the vendor intends to offer. Proper correlation of vendor goods and services with UNCCS code(s) is critical to assure accurate agency evaluation of the vendor during registration and, as well, to enhance the probability of sales of goods and services to UN agencies since all agencies use the identified UNCCS product coding to identify vendors from whom they will make purchases.

While the UN vendor registration process itself is relatively straightforward, agency evaluation of vendors is a highly bureaucratized undertaking that takes varying amounts of time depending on the evaluation agency or agencies chosen. For example, a vendor who has identified UNICEF as an evaluating agency should expect to wait four to eight weeks before receiving notice of acceptance or rejection. In contrast, the International Atomic Energy Agency may well give the vendor a completed evaluation in two to three weeks. While it would probably not be wise to choose an evaluating agency based on anticipated time for approval, potential vendors should be aware that some registrations will likely be afflicted by agency-caused delays.

In sum, the UN is potentially a good customer for a vendor seeking to enter the global marketplace or to expand its global reach and presence. Fortunately, the first step towards becoming a UN vendor can be completed with the exercise of due diligence, access to an internet connection and a capacity for patience. Actually getting work from the UN is, however, a bit more complicated and potentially frustrating process and is the subject of our next posting.

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