



*executive committee of  
the directing council*

PAN AMERICAN  
HEALTH  
ORGANIZATION

*working party of  
the regional committee*

WORLD  
HEALTH  
ORGANIZATION



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Item 11: PROCUREMENT SERVICES TO MEMBER GOVERNMENTS

The Director has the honor to submit a report on procurement services to Member Governments for the information of the Executive Committee of the Pan American Health Organization.

At its V Meeting, 1951, the Directing Council, recognizing the need for the regularization of procurement services to Member Governments by the Pan American Sanitary Bureau, formalized policy in Resolution XXIX which declared:

"WHEREAS:

It is necessary to establish a basic policy regarding the procurement services performed by the Pan American Sanitary Bureau.

THE DIRECTING COUNCIL

RESOLVES:

1. That the following provisions be made part of the internal regulations of the Pan American Sanitary Bureau concerning procurement procedures:
  - a) The Bureau shall furnish procurement services only to non-profit organizations, institutions and agencies under the jurisdiction of the Minister and/or Director of Health of the respective country;
  - b) the 3 per cent service charge now in effect shall be continued, and will be applied only on the net cost of the items purchased;

- c) before purchases are made, an amount equal to the total cost as estimated by the Bureau shall be deposited in dollars to the credit of the Bureau, which can draw freely upon that amount to make payments, including partial payment, as they become due. Such a deposit shall be made either by check or bank draft payable on sight to the Bureau, or by irrevocable letter of credit payable to the Bureau upon demand;
- d) partial shipments may be made, and upon completion of the purchase the Bureau shall send to the respective purchaser a statement of account together with the supporting documents. The Government concerned may at any time request a statement of account to date and/or the refund of unexpected balances. Form letters shall be used wherever possible to acknowledge the receipt of orders, transmit documents, etc., as an economy measure;
- e) any discount or other saving shall be passed on to the Government concerned. When quotations are requested for the purpose of comparison with prices submitted by local dealers, the Bureau shall be so informed. The acceptance of quotations and authorization to purchase shall be the responsibility of the Government, as shall also be the responsibility to deposit funds with the Bureau in time to take advantage of the prices offered in a given quotation. The Bureau shall not be responsible for any increase in price;
- f) in all cases the Governments shall supply import permits, if required, at the time that purchase orders are authorized;
- g) it shall be understood that the Bureau neither buys nor sells but acts merely as a non-profit agent for the Member Governments for whose convenience procurement services are made available.

2. That orders received by the Bureau prior to the adoption of this resolution shall be handled under the conditions previously in effect.

3. To instruct the Director of the Pan American Sanitary Bureau to transmit the text of this resolution to all Member Governments."

The procedures deriving from this Resolution were put into effect in 1951 and continue, essentially as established, to this date.

The Organization maintains a purchasing office which has bought and shipped more than 10 millions of dollars worth of equipment and supplies for Member Governments in the last decade in addition to purchases for the World Health Organization, and the Pan American Health Organization.

The Bureau's policy is based on a system of securing, by competitive bidder, the lowest prices for comparable quality and fastest delivery. In those purchases where inspection is necessary to insure compliance with specifications, sampling and testing is done by independent firms of the highest reputation. Depending on quantity, value, type of commodity and urgency of delivery, the Organization also solicits on a world-wide basis in order to obtain the lowest possible prices.

In addition to providing purchasing services, the Pan American Health Organization, on request, also prepares and submits to its Member Governments proforma invoices, containing detailed information about commodities and services required in health or health related programs, and their prices. These proformas are quotations for a wide variety of equipments and supplies, showing not only the price of each item, but also the cost of inland freight, forwarding, marine freight, air freight, and insurance to port of entry of member country.

The total activity in Member Government purchases and proformas has remained fairly steady during these years, with the exception of 1955 and 1956, and the estimated volume of work for these services has been very much the same during the whole period. It is evident however that value of proforma action has been gradually rising except for the year 1959, in which a marked increase took place, and that purchases for Member Governments have been declining since 1952, with the exception of 1957 when there was a slight increase over previous years.

This has resulted in a reduction of procurement revenues to the Organization for the 3 per cent procurement service charge is levied only when purchases are actually made, and not for proforma activity.

PROCUREMENT ACTIVITY 1951-1961

<u>YEAR</u>	<u>DOLLAR VALUE PROFORMAS</u>	<u>PURCHASES ON BEHALF OF MEMBER GOVERNMENTS</u>	<u>PERCENTAGE OF ACTUAL PURCHASES</u>	<u>PROCUREMENT REVENUES %</u>	<u>TOTAL LINE ITEMS</u>
1951		\$1,434,634.00		\$43,039.00	
1952	\$3,924,265.00	2,668,500.00	67.9	80,055.00	
1953	2,517,521.00	1,139,976.00	45.2	34,199.00	3,140
1954	2,672,166.00	819,574.00	30.67	24,587.00	3,791
1955	3,281,899.00	716,661.00	21.83	21,500.00	6,996
1956	3,657,916.00	839,300.00	22.94	25,179.00	5,257
1957	4,204,316.00	1,568,500.00	37.3	47,055.00	3,897
1958	3,466,165.00	303,100.00	8.74	9,093.00	3,077
1959	5,812,321.00	788,771.00	13.57	23,663.00	3,029
1960	1,680,564.00	310,500.00	18.47	9,315.00	2,931
1961	2,013,569.00	113,929.00	5.65	3,418.00	2,977

There has been a considerable rise in purchases on behalf of Member Governments in the first three months of 1962 but it is still too early in the year to determine whether this trend will continue throughout the year.

The burden of procurement services for Governments has represented from 30 per cent to 35 per cent of the workload of the Supply Office of the Pan American Sanitary Bureau in the last three years. The cost of these services to Member Governments including the time of personnel in the Supply and Finance Offices and the common services of personnel averaged around \$40,000 per annum during these years. The revenue to the Organization, as noted above, ranged from \$23,663 in 1959 to \$3,418 in 1961 as a result of the considerable reduction in purchases.

It is believed that a procurement office in the Bureau is necessary to facilitate emergency purchases for Governments and that there will be a continuing requirement for the purchase of supplies, equipments and materials for the programmes of the PAHO/WHO.

In addition, with the probable acceleration of national programmes of health under the terms of the Charter of Punta del Este, there will doubtless be a rise in the procurement activities of Governments. The developing programmes in environmental sanitation and in medical care, are two areas, especially, in which there will be a considerable increase in the procurement efforts of Governments. The PAHO will assist in these efforts, if it is the desire of the Member Governments that it should.

The Director looks forward to guidance from the Governing Bodies as to the role of the PAHO Procurement Service in these matters.