Harmonizing UN Procurement

Common UN Procurement at the Country Level

High-Level Committee on Management Procurement Network in collaboration with the United Nations Development Group

Coordinating author: HLCM PN Working Group on Harmonization

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Harmonizing UN Procurement: Common UN Procurement at the Country Level

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### Acronyms and abbreviations

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<tr>
<td>ABC</td>
<td>Activity-Based Costing</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>CEB</td>
<td>(UN) Chief Executives Board</td>
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<td>CoP</td>
<td>Community of Practice</td>
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<td>CPAG</td>
<td>Common Procurement Activities Group</td>
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<td>CPT</td>
<td>Common Procurement Team</td>
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<td>DOCO</td>
<td>(UN) Development Operations Coordination Office (UNDG)</td>
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<tr>
<td>ECA</td>
<td>Estimated Cost Avoidance</td>
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<td>ERP</td>
<td>Enterprise Resource Planning</td>
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<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<td>FRRs</td>
<td>Financial Regulations and Rules</td>
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<tr>
<td>GTCs</td>
<td>General Terms and Conditions</td>
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<td>Guidelines</td>
<td>Guidelines for Harmonized UN Procurement at the Country Level</td>
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<tr>
<td>HLCM</td>
<td>(UN) High-Level Committee on Management</td>
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<td>HQ</td>
<td>Headquarters locations</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>ITB</td>
<td>Invitation to Bid</td>
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<tr>
<td>ITU</td>
<td>International Telecommunication Union</td>
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<tr>
<td>JPRC</td>
<td>Joint Procurement Review Committee</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<td>LTA</td>
<td>Long-term agreement</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>MPF</td>
<td>Model Policy Framework</td>
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<td>OMT</td>
<td>Operations Management Team</td>
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<td>PAHO</td>
<td>Pan American Health Organization</td>
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<td>PN</td>
<td>Procurement Network</td>
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Introduction

The purpose of the document ‘Common UN Procurement at the Country Level’ (for ease of reference, referred to as the ‘Guidelines’ throughout the rest of the document) is to support procurement cooperation among organizations of the United Nations (UN) system at all levels. By supporting common procurement initiatives, the Guidelines promote the harmonization of business practices and contribute to improving the effectiveness and the efficiency of UN procurement activities. The Guidelines are intended for UN staff involved with procurement, but may also be of interest to other UN staff working at the Operations Management Team (OMT) or UN Country Team levels.

Words included in the glossary and hyperlinks to the websites have been underlined with a dotted line throughout this document. Feedback, comments and other ideas are very welcome at <HLCMPN.Secretariat@one.un.org>.

1.1 Benefits of cooperation in procurement

Cooperation in procurement can deliver monetary and non-monetary benefits. Empirical studies on the impact of purchasing coalitions in the public sector show savings of up to 10 per cent. Cooperation in procurement can result in benefits of economies of scale, reduced repetition of work and improved relations with suppliers. Specifically, the following benefits can be achieved through such cooperation:

- increased value for money through improved planning, requirements gathering, bulk discounts and better negotiation power;
- improved coordination, consistency and planning across organizations;
- reduction of parallel processes and transaction costs;
- improved supplier relationships, e.g., by reducing bidder fatigue;
- better procurement risk management;
- promoting the concept of ‘One UN’ among the private sector; and
- sharing of purchasing experience, information, and expertise and learning.

However, the same studies indicate that achieving these benefits hinges on a number of important factors, including:

- trust and open relationships;
- communication and keeping each other up to date;
- promoting successes and quick wins;
- the willingness to cooperate with support from other organizations;
competent purchasing facilities;
- sufficient resource capacity;
- clear dedication and commitment; and
- top management support.

The Guidelines include a range of templates and tools to provide support in realizing these factors. The benefits and the factors necessary for success, however, should be discussed within your country team or OMT.

Achieving benefits through procurement cooperation between the Geneva-based UN organizations

Simplifying and harmonizing UN procurement activities for greater efficiency and effectiveness – that is the goal of the Common Procurement Activities Group (CPAG) of the Geneva-based international organizations. Volume purchase agreements create more effective and coherent business practices and lower the cost of commonly required goods and services for all.

In 2012, the CPAG was collaborating on some 14 procurement projects, and the results have been impressive. Significant benefits have been achieved in the areas of travel services and airline negotiations, electricity supplies, Information and Communication Technology (ICT) goods and services, office supplies, paper, and other goods and services.

The CPAG is guided by the following principles:

- promoting the standardization of procurement policies, procedures and procurement training programmes among member organizations;
- pooling procurement requirements in the Geneva duty station to benefit from economies of scale;
- promoting the standardization of goods, works and services in use among Geneva-based organizations; and
- enabling member organizations to benefit from the results of the procurement activities of other members.
1.2 Changes from the first edition

The first edition of the Guidelines was published by the United Nations Development Group (UNDG) Task Team on Common Services and Procurement and the High-Level Committee on Management (HLCM) Procurement Network (PN) under the title ‘Guidelines for Harmonized UN Procurement at the Country Level’. It has been accessible on the UNDG website since 2009.

A global inter-organizational survey on the status of common UN procurement, conducted in August 2011, found that this first edition was not well known or frequently used: some 36 per cent of survey respondents had heard of the Guidelines and only 29 per cent of the countries that were conducting some sort of common procurement were using the Guidelines. Subsequently, suggestions were made as to missing topics and ideas for improvements. Chief among these was that the Guidelines should be more practical, with a focus on implementation and inclusion of tools and step-by-step instructions.

The HLCM PN Working Group (WG) on Harmonization began the revision process in October 2011, in close collaboration with the Development Operations Coordination Office (DOCO). The revision incorporates suggestions made by the end users and builds on experiences gained in Geneva, Rome and the Delivering as One pilot countries.

Further updates of the Guidelines were conducted in 2014 and 2015 by adding more tools to support collaboration and more implementation stories from UN duty stations.

1.3 Authority

The mandate for developing these guidelines is provided by the UN General Assembly’s Triennial Comprehensive Policy Reviews of 2004 and 2007 and General Assembly resolutions A/RES/59/250 and A/RES/62/208. Although the General Assembly has not yet taken a formal decision on the lead organization concept, it recognizes that the concept is being developed within the UN system and it also encourages extending participation and improving the level of cooperation, coordination and information-sharing among the organizations of the UN system with respect to procurement activities in order to achieve economies of scale and eliminate duplication of work.

Further, the Chief Executives Board (CEB) HLCM Sub-Committee on Improved Efficiency and Cost Control Measures calls for maximization of the use of long-term agreements (LTAs), increased procurement from the same suppliers for basic common products and services, and Common Procurement Teams to undertake procurement functions under harmonized rules and procedures for joint solicitation for commonly procured goods and services.

The High Level UNDG-HLCM Mission report, ‘Addressing Country-Level Bottlenecks in Business Practices’, recommends that the Guidelines should be implemented in country offices engaged in common procurement and also encouraged the use of existing LTAs as much as possible.²
In September 2011, the HLCM PN recognized the need to adopt guidance on cooperation at all relevant levels of member organizations’ regulatory frameworks. It recommended that members integrate the guidance on UN cooperation, LTAs, no restrictions when cooperating, and conducting procurement on behalf of other UN organizations into their procurement manuals – based on the template texts provided. The PN also recommended that members specify the conditions under which a secondary procurement process review may be waived. In March 2012, the HLCM PN recommended that members use, consistent with their regulations and rules, the modalities of the document “Common UN Procurement at the Country Level” in their organization-specific operational framework and to encourage organizations to apply them.

In the spirit of these decisions, organizations are encouraged to use the Guidelines to complement their internal policies and procedures. As a guidance document, its content is neither binding nor prescriptive in nature.
2.1 Introduction

The outline of this chapter follows the options for common procurement presented in Figure 1 below. Animations of each of the processes of the described models can be downloaded under ‘Tools and Templates’ at <https://www.unigm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

The models presented here have been identified and developed together with the country teams who have most successfully implemented UN cooperation in procurement. There may be additional or hybrid models that also fit your local context. Moreover, there is usually not one single model that covers all commodity groups procured within a country, so you may wish to choose the most suitable model for each commodity group.

A scorecard is available to allow you to do a rapid assessment of the status of common procurement in your local context (Annex A.5). In addition, using a joint procurement team or unit may be the most advanced form of common procurement. Suggested inputs for your own discussions are provided in Annex A.6.

Figure 1. Options for common procurement
2.2 Opportunities

Each of the options or models for common procurement offers specific opportunities. Depending on the model, you will be able to capture some or all of the following opportunities:

- improved negotiation position of organizations towards supplier (better service and relationship), leveraging of organizations’ market power with suppliers (preferential terms and rates, better service);
- savings on administrative costs through better use of staff time and effort;
- possible waiving of a further or secondary procurement review, depending on your organization’s procurement procedures;
- leveraging another organization’s expertise in procuring certain goods or services or delivering of certain types of projects (e.g., complex construction works like roads or bridges, running elections, etc.);
- some models can be useful for small organizations that do not have sufficient procurement or project management expertise or capacity in a given country; and
- some options can considerably shorten the time required to complete the procurement process, e.g., when another UN organization has the items in stock.

2.3 Minimal common procurement

In almost all field locations, some sort of cooperation in procurement is pursued among the UN organizations present. Yet, even if there is no or minimal common procurement currently in place, there are a number of activities that can be undertaken together as a form of UN cooperation to save cost and effort, such as:

- establishing an informal way of sharing information among UN staff involved in procurement, e.g., through a country mailing list or an inter-organizational information platform (see also Section 3.9);
- sharing specifications or developing common specifications (see also Section 3.10);
- joint sourcing (i.e., identifying potential suppliers) and sharing vendor rosters (see also Section 3.11);
- participation in multi-agency business seminars (see also Section 3.14); and
- cooperation in recurring low value-procurement of common requirements (see the example below).
Using existing LTAs or contracts of other UN organizations ('piggy-backing')

Under this model of cooperation, existing LTAs or contracts of other UN organizations are used in order to reduce administrative costs, benefit from preferential rates already achieved and, in some cases, take advantage of the expertise the other organization has developed in procuring certain commodity groups.

The purpose of using existing LTAs is to create a win-win situation for both the LTA holder and another organization; (a) the organization ‘piggy-backing’ can perform procurement quicker while reducing transaction costs and, (b) increasing the use of an existing LTA can potentially give access to preferential rates or lower unit prices and, thereby increase value for money for all participating parties.

Goods and services for the administration of an office are the most obvious commodities for which it is sensible to use another organization’s LTA. This model is used frequently for the following commodity groups: travel, paper/stationery, cleaning, security, IT equipment, hotel and lodging, banking, communications (phone, mobile), printing, postal and courier service, and office equipment. This model can also be applied for pragmatic procurement, for example, different agencies may need to procure the same medical equipment, pharmaceuticals, consultancy services, etc. for their programme purposes.

Example

Cooperation on low-value procurement in Uruguay

The Uruguay country team has successfully conducted low-value procurement in a collaborative manner. Through combining procurement volumes, better prices for goods and services can be achieved.

As an example, the common procurement of office supplies was conducted as follows: The OMT jointly developed the requirements, i.e., a list of required items, and then developed a list of potential suppliers. These suppliers were asked to provide a list of prices that they would charge the organizations in the country considering the total aggregated value of purchase by the combined organizations. Support from the Resident Coordinator (RC) Office was instrumental in contacting the potential suppliers on behalf of the OMT and the respective organizations. The supplier with the largest selection of goods at the lowest price was selected by the OMT. Once selected, each organization dealt with the supplier directly.

This mechanism required no procedure or process changes to achieve these results. After a time, the United Nations Educational, Scientific and Cultural Organization (UNESCO) signed an LTA with the supplier to formalize the agreement as it was reaching a maximum amount of purchasing for a specific supplier. The LTA is available for other UN organizations to use. Other suppliers have been approached in a similar fashion to consider the UN as a whole rather than each organization as an individual client.
2.4.1 Process

There are two ways to use another organization’s contract or LTA: actually purchasing against the already established LTA or using the solicitation results to establish your own LTA. Figure 2 and Figure 3 illustrate the processes used in this model of cooperation.

First method (Figure 2): Using the established contract or LTA of another organization directly.

Figure 2. Utilizing LTAs/contracts of other organizations in the UN system:
Piggy-backing

Step 1: This contract or LTA is already in place between UN-A and a supplier, and UN-B wishes to use it. Typically, the same terms and conditions apply, i.e., prices, delivery terms, services and obligations. Before the contract or LTA can be used, both UN-A and the supplier need to confirm the feasibility of extending its terms to UN-B. If a significant increase in volume is foreseen out of the use of the agreement by other agencies, UN-A may decide to negotiate additional discounts, which will benefit both UN-A and UN-B.

Step 2: UN-B is responsible for its internal procurement review before issuing Purchase Orders (POs) against the LTA or contract. Using an existing LTA, however, may or may not require submission to an organization’s procurement review committee depending on the organization-specific policy, UN-B can now issue POs against UN-A’s LTA.

Step 3: UN-B deals directly with the supplier on all operational aspects related to its PO (delivery, payment, etc.). As the natural ‘owner’, UN-A will manage the LTA or contract in terms of vendor performance, amendments, extensions and other required actions.
Radio equipment worth USD 2 million was procured in 2012 by UNPD South Sudan through piggybacking on UNMISS’ LTA with CICCI. As a result of the piggy-backing, the procurement process was shortened and savings were generated as a separate solicitation process did not have to be carried out.

The UNDP CO approached UNMISS after receiving the procurement request. UNMISS reviewed the specifications and quality assurance aspects of the request, and then linked UNDP with CICCI, their LTA holder for radio equipment. Piggybacking on the LTA that UNMISS had with CICCI was critical in ensuring that the main transmission site and South Sudan: Piggy-backing for radio equipment
South Sudan (continued)

FM radio station in the state capital of Bor, as well as 11 retransmission sites across the state, were equipped with good quality radio telecommunications equipment and provided with good technical support to run and maintain these assets.

The key impact of this piggybacking case was that for the first time, a state-managed FM radio station was fully operational and broadcasting news, music, educational and peace building programmes in local languages 3-hours per day. The local communities and state government repeatedly acknowledged this as an outstanding contribution by UNDP. The government is building capacity of their personnel for the launch of more radio stations and an additional USD 30 million was mobilised.

Second method (Figure 3): The outcome of a solicitation result of another organization is used to establish your own LTA or contract.

Figure 3. Utilizing LTAs/contracts of other organizations in the UN system: Re-use of solicitation results

Step 1: UN-B may rely on the solicitation process of UN-A, when, in UN-B's estimation, the potential benefits of undertaking a new solicitation process would not justify the associated administrative costs and the prices obtained by UN-A are deemed to be sufficiently recent. UN-B then uses the solicitation results to establish its own LTA or contract with the supplier without undertaking a separate solicitation process.

Steps 2 and 3 are generally the same as in the first method, but now, UN-B, as the natural owner, will also manage the LTA or contract in terms of vendor performance, amendments, extensions and other required actions and issue POs under its own General Terms and Conditions (GTCs), which the supplier may dispute depending on the stand of its legal office.6
Remarks:

- Sharing of LTAs has been encouraged at all senior levels of management of the UN system of organizations. At the same time, there may be reasons why sharing of LTAs can be difficult in certain cases, e.g., for target-bound LTAs or LTAs with a not-to-exceed amount. These difficulties can be overcome with appropriate planning or by establishing a shared LTA (see Section 2.5).

- Participating in the purchase arrangements under certain LTAs may not be possible, where the goods and services are strategic to a particular organization, or where the agreement is limited to a specific organization. In such cases, other collaborative approaches may be considered, such as using procurement services from another UN organization (see Section 2.6).

- No fees should be charged for the use of the LTAs of other organizations of the UN system.

- When using this model (via either of the methods), UN-B does not have the opportunity to influence the specifications of the goods and services covered by the LTA. Therefore, UN-B should expect to align with the specifications of the existing LTAs or contracts.

- Details of international LTAs, especially those that can be used globally, shall be uploaded on UNGM at <www.ungm.org> and local agreements and vendor information can be uploaded to the site as well. For more information on a platform for information sharing and how to communicate your existing agreements established with local suppliers and vendor information, please contact <registry@ungm.org>.

- It is good practice for the OMT to share information with all organizations on the existing terms and conditions of LTAs (including any fees, if applicable) and to upload local LTAs on UNGM for information sharing.

- LTAs and contracts used by more than one agency require joint contract management and on-going monitoring to ensure that value for money and efficiency are maintained.

- It is good practice to include a clause, either in the solicitation documents or the contract/LTA, which states that other UN organizations may benefit from the same contractual arrangements. In the event that the contractor agrees to improved terms and conditions, all UN organizations that become parties to the agreement should benefit from these improved terms and conditions.

2.4.2 Challenges and solutions

The challenges of using this model include:

- Using existing LTAs of other UN organizations needs the approval of both the originating organization and the supplier. This can be avoided if a “piggybacking” clause is incorporated in bidding documents and in the LTAs.

- In cases of emergency or high demand, suppliers may give priority to the organization that has set up the LTA/contract or has higher business volume. Supplier performance management is a key factor in ensuring proper utilization of the LTAs by multiple agencies. At the United Nations Office at Geneva (UNOG), for instance, a workaround for this challenge has been established. UNOG has advised certain suppliers to set up a minimum quantity level of emergency items (e.g., tents, blankets, etc.) that they must keep in stock for deployment within 24–72 hours. UNOG has reflected this arrangement in a clause in its piggy-back contracts.
An LTA database with accurate and up-to-date data will enable consistent use and knowledge about the existing LTAs. You could use the LTA database functionality on the UNGM website to record and update LTA information (<www.ungm.org>).

2.5 Establishing and using joint LTAs through “lead agency” approach

Under this model of cooperation, UN organizations cooperate in a joint solicitation process. This model is used to leverage market power to achieve rates and prices that no single organization could obtain on its own. Further, this model can help reduce inefficiencies and reduce workload in the long run for all participating organizations.

Pursued frequently at the country level, this model is commonly applied for the following commodity groups: travel, security, paper/stationery, banking, communications (phone, mobile), hotel and lodging, cleaning, postal and courier service, maintenance services, printing and fuel, etc.

2.5.1 Process

Figure 4: Joint solicitation with lead organization

Step 1: Joint LTAs should be established for the most frequently required common goods and services as identified by the OMT at the country level. It is therefore recommended to conduct a spend analysis (see Section 3.6) in order to select the most appropriate commodity groups. This will also help to establish the expected overall volume of procurement under the joint LTA. Joint solicitation and joint LTAs may also be considered as part of a preparedness plan for items that may be difficult to source at a time of emergency.

In this model, the organizations involved normally choose one organization to lead the procurement process. As a first step, the cooperating organizations (here UN-A, UN-B, UN-C and UN-D) agree on the requirements, the solicitation documents and evaluation criteria (through representatives sent to a joint committee of all participating organizations) as well as the process. You may want to consider the Source Selection Plan template (Annex A.8) at this stage.
**Step 2:** UN-A conducts the solicitation process under its own procurement policies and procedures. The solicitation documents should clearly state that the resulting LTA will be open to other UN organizations.

A second option for this step could be that each organization would eventually establish its own LTA with the supplier. In this case, the solicitation documents should clearly state whether there will be only one or several LTAs as the outcome of the solicitation process.

Joint solicitations may be subject to the review requirements of the lead organization only. It is good practice that the lead organization UN-A provides for representation by the other participating organizations on the relevant procurement review committee. Again, using a shared LTA may or may not require a secondary submission to another organization’s procurement review committee.

**Step 3:** UN-A closes the procurement process by establishing an LTA or contract with the supplier. The contract or LTA should contain a clause stating that it is open to other UN organizations. A template has been prepared for this purpose, which is discussed in Annex A.9.

In the case where several LTAs are to be used, each organization closes the procurement process by establishing an LTA or contract with the supplier. If this option is used, each organization’s General Terms and Conditions (GTCs) will form part of the resulting contract or LTA. However, this will likely result in a lengthy contract negotiation process between the legal offices of the UN agencies and that of the suppliers’, thus reducing the attractiveness of joint sourcing to suppliers.

**Step 4:** The participating organizations can now issue POs against the LTA(s)/contract(s).

**Step 5:** UN-A, UN-B, UN-C and UN-D deal directly with the supplier on all operational aspects related to their own POs (delivery, payment, etc.). Where there is only one LTA or contract, UN-A, as the natural owner will manage it in terms of vendor performance, amendments and other required actions but in consultation with the other participating UN organizations. If there are several LTAs, each organization will be responsible for its own LTA, including measuring vendor performance, amendments and other required actions. Most frequently, it is more economical to establish one shared LTA only.

**Remarks:**

- LTAs and contracts require contract management and ongoing monitoring to ensure that value for money and efficiency are maintained.

- Multiple LTAs can be entered into for the same goods and services. In such cases, a mini-competition/secondary bidding can be undertaken to ensure transparency and value for money; and if secondary bidding is required, it shall be stated beforehand in the tender documents and the LTA documents.

- Whenever participating in a common procurement initiative, every organization involved should ensure that it keeps an individual copy of all records in its files.
Ethiopia has been working on inter-agency LTAs in different areas in the last two years with 15 agencies. Among others, the country has established joint LTAs for printing services through UNICEF as the lead agency. These printing LTAs have generated over 1 million USD of savings by 2014.

UNICEF also took lead in establishing joint LTAs for HACT and audit services. As a result of the collaborations, further savings of USD 400,000 have been generated by 2014.

By procuring standard goods and services through jointly established LTAs, Ethiopia also estimates that savings of approximately 760 USD are achieved for each agency and each joint procurement process, compared to if each UN agency would carry out separate solicitation processes.

In early 2014, the OMT in Sri Lanka made a request to United Nations Joint Procurement Team (UNJPT) to initiate a joint procurement process for security service as the LTA which many agencies were piggy-backing on was to complete its three-year term in mid-2014. A collaborative process was suggested to establish the new LTA and UNICEF was identified as the lead agency.

UNDP, UNICEF, and UNDSS jointly developed the TOR based on the security service requirements for the UN offices located within Colombo and throughout the country. Technical and financial evaluation templates were developed in parallel to the TOR. UNICEF’s RFP template was used for the solicitation and formal advertisements were published in four local newspapers and on the UNDP website. The cost of the newspaper advertisements was shared amongst the UN agencies.

Ten proposals were received. Staff members representing UNDP, WFP, UNDSS and UNICEF, UNHCR jointly conducted the evaluation with individual scoring sheets and averaging the scores according to the pre-established marking scheme. The case was submitted to UNICEF’s internal review committee (CRC) for approval. The LTA was signed in the presence of the cooperating agencies, and uploaded to the OMT website.

Several benefits were achieved through the collaborative process. These include a better response rate of bids, effective competition through submissions from all the leading security companies in the market and competitive prices.
2.5.2 Challenges and solutions

- The challenges of using this model include: Assignment of a lead organization: Who drives the procurement process as lead organization and how to balance the workload? This challenge can be addressed by analysing the expertise and resources of participating organizations and distribute the workload among organizations by item groups in case of multiple opportunities for joint solicitation or by breaking down the workload (solicitation, evaluation, etc.) in case of individual solicitation among participating agencies.

- Agreeing on common specifications, joint solicitation and evaluation processes requires a significant initial investment of time and resources. It also requires agencies to balance individual and group interests; in particular, the lead agency, which is usually also the largest buyer of the item, needs to consider the interests of smaller agencies when drafting the requirements together.

- An LTA database with accurate and up-to-date data will enable consistent use and knowledge about the existing LTAs. (You should use the LTA database functionality on the UNGM website (<www.ungm.org>) to record and update the LTA information.)

- In order to facilitate a smooth process, it is important to obtain full support from the RC or his/her equal, and the head of agencies in order to successfully coordinate the implementation of common procurement initiative. Such support includes having UNCT sign a commitment letter to help secure additional resources for collaboration. Having a dedicated coordinator to follow up on common activities, e.g., from RCO, was proven to be an effective approach.

- A common and joint method of utilizing the LTA should be agreed upon and guidance should be provided to the supplier on how to respond to and prioritize the procurement requests from different UN agencies.

- Thresholds for contracts review: If local collaboration becomes common and a large portion of joint tenders result in high value LTAs, the UNCT can request, through UNDG and in consultation with HLCM-PN, for a higher level of approval authority to be granted to local JCRC.

Example

DRC – joint solicitation process through lead agency approach

In 2014, UNDP successfully led the collaborative procurement exercise and established a joint LTA for Fiber Optic Internet services on behalf of all UN agencies in the Democratic Republic of Congo. As a result of the collaboration, 10-15% savings are estimated compared to earlier VSAT contracts. In addition to a better rate, there has been major quality improvement on internet connectivity through greater bandwidth, signal stability and speed. Besides the participating agencies, United Nations Organization Stabilization Mission in the DRC (MONUSCO) later found the conditions of the LTA very attractive and decided to piggyback on the same LTA for their internet services.
2.6 Using procurement services of other UN organizations

Under certain circumstances it may be appropriate or necessary to request another UN organization to carry out certain procurement activities on your behalf. This approach may be particularly beneficial for the procurement of programme-related outputs. In fact, many UN organizations offering such services endeavour to focus on areas directly related to their mandate, i.e., where they have a competitive advantage in terms of technical expertise.

This model of cooperation may be considered in situations such as:

- **Expertise**: When your organization recognizes the particular expertise of another organization in the procurement of specific goods, works or services.

- **Procurement capacity**: When another organization has the necessary procurement capacity that your organization does not itself have in a given location.

- **Administrative capacity**: When your organization has neither procurement nor administrative capacity in a country, procurement actions may be undertaken on behalf of your organization by another organization which has the necessary procurement and administrative capacity.

- **Shared services**: In a given location, an agreement may be established for a single organization to provide certain administrative services to all partner organizations, by way of a Memorandum of Understanding (MoU) or similar agreement. These may include financial, human resource, travel management, procurement and asset management services.

There are two distinct models for this kind of procurement: (1) procurement services for a specific (single or repeated) procurement transaction, and (2) procurement services as part of an entire project that is focused more on overall project management, which would include one or more procurement transactions as part of the project delivery. These two models are elaborated in the following sections.

Agencies who can provide procurement services usually have expertise in the items under request; and often, those items are core commodities or services for their programme and operations. UN agencies are encouraged to procure those items from each other when in need instead of carrying out their own tender. As reference, below is a collection of core items from some agencies.

- **UNDP**: Election items
- **UNFPA**: Contraceptives, census items
- **UNICEF**: Vaccines for children
- **UNHCR**: Family tents
- **WFP**: Food items
2.6.1 Process

2.6.1.1 Using procurement services for a procurement transaction

Step 1: As a first step, an MoU or similar agreement should be established between the organizations that will cooperate under this model. The MoU will set out the agreed scope and terms, detailing possible service fees, payment terms, and duration. The MoU establishment and renewal process should be planned in a timely manner, e.g., annually or according to the specific cooperation duration.

Step 2: When a specific procurement need arises under the terms of the MoU, UN-B issues a request specifying the details of the procurement sought from UN-A. UN-A submits a Cost Estimate for approval by UN-B, reflecting estimated costs in addition to any handling fee and buffer as may be applicable. Upon acceptance by UN-B the funds are normally transferred from UN-B to UN-A in advance of initiating the procurement, unless otherwise agreed.

Figure 5: Using procurement services of other UN organizations for a specific procurement action

Step 3: UN-A will conduct the requested procurement service, e.g., the procurement of certain goods or services, through a solicitation process. This solicitation process is usually undertaken under the regulations, rules and procurement policies of UN-A.

Step 4: UN-A conducts the procurement process by establishing or making use of an existing LTA or contract with the supplier and issuing the PO, usually under its own GTCs, unless special provisions have been made in the MoU.

Step 5: The supplier (or UN-A) arranges for delivery of the required goods or services to UN-B.

Step 6: The supplier sends an invoice for the delivered goods and services to UN-A.

Step 7: UN-A issues an invoice to UN-B.
2.6.1.2 Using procurement services to implement a project that includes procurement transactions

Figure 6: Using procurement services of other UN organizations: Projects including procurement transactions

Step 1: As a first step, an MoU or similar agreement should be established between the organizations that will cooperate under this model. The MoU will set out the agreed scope and terms, detailing possible service fees, payment terms, duration, etc. In contrast to the prior model, the MoU here includes the Terms of Reference (ToR) for a specific project to be delivered by UN-A, usually to the benefit of a third party. At this stage, funds may be transferred from UN-B to UN-A.

Step 2: UN-A will serve primarily as the project manager for the project covered by the MoU. This will include – but is not limited to – conducting procurement processes. UN-A will conduct the procurement process(es) required through a solicitation process. This is usually undertaken under the regulations, rules and procurement policies of UN-A.

Step 3: UN-A conducts the procurement process by establishing LTA(s) or contract(s) with supplier(s) to deliver all services and goods required to complete the project.

Step 4: The supplier(s) deliver(s) the required goods or services required to complete the project and settle its/their invoices directly with UN-A.

Step 5: UN-A completes and delivers the project, usually to the benefit of a third party.

Step 6: UN-A issues an invoice for any outstanding funds to UN-B.
2.6.2 Challenges and solutions

If you decide to implement either of these models, you should be aware of the following potential challenges:

- Not all requesting organizations have provisions in their operational frameworks for this level of cooperation and they must therefore try to ‘fit’ it into some other category of activity. It is recommended that organizations seek to adopt procedures in advance to facilitate this approach, especially given the potential benefits that the approach offers.

- Handling and buffer fees may be incurred by the requesting organization (UN-B) – reflecting the administrative overhead and project management services that were involved in procuring the goods or services and delivering the project (UN-A). This handling fee should not be considered as an ‘additional cost’ to the requesting organization since that organization would also have incurred internal costs for managing the project and conducting the procurement processes.

- The requesting organization may lose some control over the process because of the increased number of intermediaries.

- When implementing this model, the details may need to be determined on a case-by-case basis.

2.7 Procuring from another UN organization

If a UN organization has goods in stock or delivers certain services, you may want to procure these goods or services directly from that organization.

2.7.1 Process

Figure 7: Procurement from another UN organization

Step 1: An MoU or similar agreement should be established between the organizations that will cooperate under this model. The MoU details the scope and terms under which certain goods or services can be procured from UN-A. This MoU can have an extended lifetime and it is...
recommended that the MOUs are established and renewed in a timely manner. At this stage, funds may be transferred from UN-B to UN-A.

**Step 2:** When the need arises, UN-B issues a request or PO to UN-A specifying the details of the procurement need. This procurement transaction can be subject to the procurement review requirements of UN-B. However, it is recommended to waive the procurement review when using this model.\(^7\)

**Step 3:** UN-A delivers the requested goods or services (possibly together with an invoice) to UN-B.

### 2.7.2 Challenges and solutions

If you decide to implement this model, you should be aware of the following potential challenge:

- A handling fee may be charged by the other organization – reflecting the cost of administrative overhead that UN-A incurs to procure and deliver the goods or services which will be made available in accordance with the MOU. A handling fee should not be considered as an ‘additional cost’ to the requesting organization.

### 2.8 Using a joint procurement unit

**Example The Tanzania Procurement Story**

UN Tanzania has, through the Tanzania One Procurement Team (TOPT), developed 66 LTAs that are available to all UN agencies in the country. The LTAs cover services and goods such as: travel management, cleaning and gardening, courier services and transport, accommodation and conference facilities, security services, generator- and car maintenance, printing, office furniture, office supplies, fuel, blankets, and driver uniforms.

The LTAs were established with a lead agency approach where the TOPT agreed on which agency should take on the managing agent role for the tendering process. The lead agency drafted the terms of reference, and solicitation documents were shared with the other agencies for input before the tender was published. Other agencies were invited to take part in the evaluation of bids, and contracts were established with the inclusion of a paragraph stating that the conditions applied to all UN agencies in Tanzania.

In 2013, UN agencies used joint LTAs in 45% of the purchase orders issued. Based on UNDG methods for calculating item cost savings, this translates to a saving of USD 620,000 in 2013 alone.
Initiatives in process

- **Brazil Joint Operation Facilities (JOF):** JOF will cover the areas of Procurement, Human Resources, ICT, and Travel, and is expected to be operational in mid-2015.

- **Vietnam One UN green premises:** Local offices will move to the Green One UN House in mid-2015 and staff will be seated by function groups.
Experience in the UN system has shown that continued effort is required to sustain the common procurement activities within a country. This chapter discusses recommended enablers of common procurement – elements that should be in place before commencing an initiative – as well as good practices that help to institutionalize common procurement. Such elements will help to make common procurement initiatives more successful, and include: UNCT/OMT commitment, a common procurement team (or task force or working group), and procurement data and spend analyses.

### 3.1 Division of responsibilities between HLCM-PN & UNDG

A matrix that defines responsibilities between HLCM-PN and UNDG has been developed to help clarify the roles between the two parties in collaborative procurement activities, especially at duty stations where BOS and Deliver as One initiatives are in place. The focus of the HLCM-PN is on the definition and development of guidelines and tools in support of collaboration, while the focus of the UNDG is on communication, implementation and on-going monitoring of collaboration activities. The detailed responsibility matrix can be found at UNGM Harmonization webpage, <https://www.ungm.org/Public/KnowledgeCentre/Harmonization>.

### 3.2 Financial regulations and rules, and procurement policies

Insufficient harmonization of procurement regulations and rules has been perceived as an impediment to common procurement. However, the HLCM PN analysed the Financial Regulations and Rules (FRRs) of several organizations and found that the existing FRRs present no impediment per se to the implementation of the models described in the Guidelines.

Insufficient harmonization of procurement policies is also sometimes perceived as an impediment to common procurement, as is the fact that the legal implications of the processes may be unclear. Therefore the HLCM PN recommended that members use, consistent with their regulations and rules, the modalities of the document ‘Common UN Procurement at the Country Level’ (this document) in their organization-specific operational framework.

### 3.3 UNCT/OMT commitment

The success of common procurement initiatives is crucially dependent on the full commitment and support of the UNCT led by UNRC. We recommend that you use the template ‘UNCT Commitment to Common Procurement’ (see Annex A.3) to formalize UNCT support and the specific models of cooperation to be applied in your country.
Some good practices regarding UNCT support for common procurement were identified in the global survey. These include that the UNCT ensures close collaboration with the OMT, approves and subsequently, supports the OMT’s annual work plan, including a common procurement plan, actively tasks the OMT on specific issues of common procurement, and monitors annual common procurement targets. Lastly, it is crucial that the UNCT is committed to the harmonization of business practices and can act as a mediator among the organizations when required.

OMT commitment may also include appropriate resources to support a team of procurement staff tasked with gathering, analysing and assessing procurement information and proposing initial strategies to promote common procurement. A budget table reflecting the initial investment in terms of staff (person working, days/hours), tools, workshops and any other relevant initial investments/costs should be prepared. It is also necessary to decide which organization/organizations will bear these costs and how they will be covered.

3.4 Procurement Collaboration Implementation Cycle Matrix (PC-ICM)

Further to the annual common procurement plan, a comprehensive Implementation Cycle Matrix was developed to guide the implementation of procurement collaboration at the country, regional and HQ levels for a two- to four-year period, depending on the expected scale of collaboration, maturity/history of collaboration, as well as the BOS cycle of the duty station (if it’s a BOS country). The implementation cycle is divided into four stages:

- **Stage I – Planning** – preparation for procurement collaboration; developing collaborative procurement strategy;
- **Stage II – Execution** – implementation of collaborative procurement strategy;
- **Stage III – Monitoring and Evaluation** – Assessing and measuring the result and impact of procurement collaboration;
- **Stage IV – Adjusting and Scaling Up** – Applying lessons learned and good practices to update the collaboration strategy, process and tools for a new implementation cycle.

Under each stage, a number of steps are suggested; each step further suggests the estimated timeline to complete, responsible party, stakeholders involved, successful criteria, and resource to apply to support the implementation.

The Matrix and the supporting documents mentioned in the Matrix can be found at UNGM Harmonization webpage <https://www.ungm.org/Public/KnowledgeCentre/Harmonization>. It is important to put a system in place which can guide the implementation of procurement collaboration throughout a designated period. The Matrix aims to provide a starting point for a duty station to plan for their procurement collaboration. The elements in the matrix can be adjusted to fit the local context.
Harmonizing UN Procurement: Common UN Procurement at the Country Level

I. Planning (6-9 months)
- Reach UNCT initial support on interagency procurement collaboration
- Establish a preparatory working committee (PWC) to develop local collaborative procurement strategy
- Data collection and situation analysis: Baseline, Needs and Cost-Benefit Analysis; SWOT Analysis, etc.
- Develop local collaborative procurement strategy, including results of situation analysis, target interventions, resource required and a high level implementation plan
- Obtain UNCT endorsement on the collaborative procurement strategy

II. Execution (2-3 years/cycle)
- Awareness campaign of local collaborative procurement strategy; Form CPT or equivalent group to lead implementation of the strategy
- Develop CPT annual work plan and secure resource for work plan implementation
- Establish an inter-agency Joint Procurement Review Committee, if applicable
- Implement CPT work plan, including capacity building, conducting joint procurement to establish joint LTAs, joint contract and supplier management, recording and reporting results of collaboration
- Establishing local collaborative procurement knowledge asset

III. Monitoring and Evaluation (semi-/annual)
- Conduct regular assessment of collaboration; record the status and results of collaboration against baseline and targets
- Project cycle assessment; report achievements, good practices and lessons learned from collaboration

IV. Adjustment and Scaling-Up (2 months)
- Apply good practices and lessons learned to plan for next implementation cycle

Figure 8: Procurement Collaboration Implementation Cycle Overview
3.5 Capacity building on procurement collaboration

An introductory e-course on the HLCM/UNDG Collaborative UN Procurement has been developed to provide easy access to knowledge on how to promote harmonization and collaboration within procurement. The course is offered in multiple UN languages via UNSSC learning portal at <http://portals.unssc.org/course/index.php?categoryid=8>.

A roster consisting of UN staff and external consultants with substantial experience and expertise on collaborative procurement has been developed in order to support capacity building activities and actual collaboration events. The roster database contains every expert’s contact information, professional experience and expertise, as well as a record of related work performed. Duty stations in need of support can use it to search for an expert or a group of experts that are available to either help conduct a harmonization workshop at a duty station and/or perform harmonization-related consultation work onsite or offsite. The roster can be found at UNGM Harmonization webpage, e.g., <https://www.ungm.org/Public/KnowledgeCentre/Harmonization>.

3.6 Procurement data and spend analysis

3.6.1 Objectives

Relevant procurement data need to be gathered for two main reasons:

1. **Assessment and analysis of procurement spend to identify strategies and priorities for common procurement activities:** The data need not be too detailed, but should be sufficient to allow for an initial analysis of the savings potential. Gathering data can be time-consuming, however, as not all organizations have ready access to standard information. Where the amount of available data is limited, you may want to use the Annual Statistical Report on United Nations Procurement or the outcomes of the global inter-organization survey on common procurement.

2. **Confirmation of potential for achieving benefits by increasing efficiency** using the tool provided in Annex A.3 to fast-track the exercise. This analysis shows how much benefit can be achieved (for instance, by the increased use of LTAs and issuing shared LTAs).

3.6.2 Required data for high-level analysis

The following information is required to undertake a spend analysis:

- general groups of goods and services procured by the organizations within a country (all procurement regardless of type and location);
- cumulative volume (quantity and value) for each group;
- number of transactions (e.g., POs, solicitations) issued per year;
- number of suppliers per commodity group; and
- number of existing LTAs for each commodity group.

You may want to use the tools provided in Annexes to gather these kinds of data.
3.6.3 Process for compiling data

Suggestions for the data-collecting process – which can be adapted to local circumstances – include:

- Send spreadsheet templates to each organization with a reasonable deadline for completion. One member of each organization should be responsible for following up and collecting the data within his or her own organization.

- Organizations should also indicate future requirements if these are likely to be substantially different from past procurement needs. Eventually, consolidated organization procurement plans or forecasts will identify common procurement priorities.

- Organizations should ensure that all personnel having procurement requirements, including project officers, should contribute to the data collection.

- For organizations with difficulties in providing information, the Common Procurement Team (see Section 3.7) could provide support (including advice, clarifications, etc.).

- Potential sources of procurement data include local or Headquarters (HQ) Enterprise Resource Planning (ERP) systems (where available), physical files (POs, invoices, etc.) and even suppliers.

- Establish a follow-up system until information is received and schedule follow-up interviews as necessary with staff involved in procurement.

- Agencies are encouraged to apply UNSPSC codes when establishing item catalogues and recording transactions. This will make it easier for data consolidation at local and global levels.

3.6.4 Spend analysis

- Identify the commodity groups (goods and services) that are commonly procured by more than one organization.

- Review type, procurement volume (units and value) and suppliers to determine the potential for savings through common procurement, focusing on cumulatively high value orders or repetitive orders for low unit-value goods and services.

- Although some common procurement activities would require standardization, it may not be feasible to achieve this level of coordination for all commodity groups. Therefore, focus on those categories that can be readily standardized at the country level or do not necessarily require standardization. Even in the absence of standardization, it may be possible to tender commonly for multiple items obtaining a discount from a price list that has already been established.

- Identify the procurement mechanisms used by each organization. Initially, attention should be given to goods and services procured locally for which the models described in Chapter 2 can be most easily applied.

- Identify whether LTAs currently exist for those categories identified as having potential for common activities. Review these and determine whether other organizations could also use them. Identify what additional common LTAs would meet the needs of the organizations in-country.
3.7 Common Procurement Team

The Common Procurement Team (CPT) should include procurement staff from each organization that wishes to participate in common procurement. If an organization is not able to dedicate resources to actively participate in the CPT, it should designate a focal point to provide necessary inputs, or it can contribute to sharing the costs of resources appointed by the other organizations.

To ensure that the work of CPT members is recognized, it is highly recommended that this activity is identified and reflected in each staff member’s annual performance plan and review.

The CPT will develop ToRs that set out the scope of its activities and specify deliverables, including development of a work plan for compiling, reviewing and undertaking the spend analysis. The ToRs can be based on the template provided (see Annex A.4). Should the CPT agree to carry out joint solicitations, it is important to appoint a lead organization (designated among the CPT participants) that will head the solicitation process (see also Section 2.5).

Based on your local context, you will need to agree on the priorities that seem most worthwhile. The tasks of the CPT can include (but need not be limited to) the following:

- **Clear purpose**: Develop a common procurement strategy to find new ways of operating and using the procurement function to add value; determine a general common procurement approach that will support coordination and programme implementation; identify gaps and strengths in procurement capacity or provision of supplies and services; and agree on Key Performance Indicators (KPIs) and methodologies for measuring savings as well as innovation, improved quality, shorter lead times and customer satisfaction.

- **Limit the scope**: Obtain the views of participants and identify opportunities to achieve better value for money and remove costs from all parts of the value chain; propose common procurement activity categories; agree on the frequency of updating consolidated organization procurement plans, aggregation of requirements and improvements in data collection; and enhance the procurement capacity of organizations, including through the provision of training.

- **Reflect on common procurement project management methodology and communications and obtain appropriate sponsorship and buy-in at the senior level from each participating organization; and agree on a cost-sharing methodology (e.g., common services account, cost recovery basis, management fees, direct pay and sharing of workload).**

- **Develop standardized formats for local use where appropriate.**

- **Establish local guidelines regarding the frequency of common solicitation, joint negotiation, reporting on joint activities, frequency of market surveys, etc.**

- **Encourage the use of LTAs and provide training on their establishment, management and use. Consider already existing resources, e.g., organization-specific training materials.**

- **Establish common vendor databases, encourage registration and identify parameters for pre-qualification. Note that the UNGM offers these facilities on behalf of the UN and that country teams are encouraged to use the UNGM both for local vendor management and as a repository for LTAs.**

- **Establish procedures for vendor management and performance evaluation.**

- **Select staff who will be part of the CPT. Ideally, they will be creative and open-minded, from the same peer group, and sufficiently senior and established within their organization.**
In addition, the CPT should develop a work plan. This is intended to be a living document to be updated and altered as the context changes and approvals are received by the UNCT. It should include the following:

- clearly defined roles and responsibilities of each team member;
- frequency of meetings (e.g., every 2nd Thursday morning);
- objectives (e.g., recommendations and implementation strategies);
- specific, measureable, achievable and timed goals (e.g., ‘x new shared LTAs will be in place by dd/mm/yy’ or ‘LTA inventory will be completed by dd/mm/yy’);
- reporting and decision points (e.g., reports and updates will be provided to the OMT and the UNCT on a monthly/quarterly basis at the UNCT meeting); and
- identification of a common workspace (not just a meeting space), virtual or physical (preferably both) to allow for appropriate communication and interaction.

Example

Successful Enablers to UN Procurement Collaboration in Tanzania

a) RC/CMT support and Funding

Key factors contributing to Tanzania’s achievements in common procurement include the robust governance arrangements and the support that has been provided by the Office of the Resident Coordinator to the common procurement team. Additionally, the Tanzania One Procurement Team (TOPT) has access to resources from the One Fund, which is a performance-based funding source created to support the coherent resource mobilization, allocation and disbursement of donor resources to unfunded elements of the UN program. The fund is therefore an important enabling factor for common procurement as it provides vital resources to an area where it can otherwise be difficult to attract donor interest.

b) Integration to UNDAP

The four Operational Working Groups, including the common procurement team, are fully incorporated in the UNDAP management arrangements and follows the same planning, monitoring and reporting cycle as the Programme Working Groups. Every five years, UNDAP provides the planned outcomes and outputs which are supplemented with detailed activities for all UN agencies in Tanzania. Every year, the groups undergo a mid-year review and an annual review where they are evaluated based on achievement of target delivery, financial delivery and activity status. This provides an opportunity to closely follow up, identify challenges and make necessary adjustments to achieve the best outcome of the common procurement activities.

c) Motivation

UNCT members have also endorsed a principle to include staff contribution to Delivering as One in their performance appraisal to ensure staff motivation and to emphasize that their efforts should not be viewed as additional burden on top of agency assignments.
The formation of the CPT in Pakistan was one of the most challenging feats accomplished given the diverse nature of all organizations. Initially, the different mindsets hindered collaboration between the organizations. These mindsets could be overcome by: openly discussing fears and obstacles; creating an atmosphere of mutual trust; and team-building events. The CPT has now functioned smoothly throughout the past three years and has developed a professional atmosphere of cordial understanding, experience sharing and excellent teamwork among members.

### 3.8 Procurement review process and Joint Procurement Review Committees

Differences in thresholds, specifically with regard to the delegation of authority and the requirement of a procurement review process before a contract award can be approved, are sometimes experienced as a barrier to implementing common procurement. The HLCM PN has recommended that its members specify the conditions under which a second procurement review may be waived, e.g., when cooperating with other organizations in the UN system through one of the models described in Chapter 2. This depends on the circumstances and procurement regulations and rules of each organization, but it may be possible that a particular procurement transaction, carried out under UN cooperation, could be exempt from review by your organization’s procurement review committee.

In the case that a lead organization undertakes the procurement process, the procurement review will be in accordance with the policies and procedures of that organization. The lead organization should encourage the participation of other organizations in its review process as observers or participants when this is feasible.

In some countries, not all organizations have a local review committee and are dependent on using the review committee of a different organization. In such cases, it should be clarified to the review committee which policies and procedures have been adhered to during the procurement process.

To avoid duplicate reviews, the decision making authorities of the participating organizations could also decide to establish a Joint Procurement Review Committee (JPRC), if the regulations, rules, policies and procedures permit. Establishing a JPRC can leverage additional advantages and facilitate easier UN cooperation in procurement. In particular, all shared LTAs could be reviewed by the JPRC, and recommendations for approval made to the various officers who hold the procurement authority for their organization. The JPRC could also review the procurement transactions of individual organizations, if requested to do so, acknowledging the fact that some organizations sometimes lack the administrative capacity on the ground to establish their own procurement review committees.
3.9 Inter-organization information sharing

A standardized approach to information gathering and sharing should be established by the OMT. This will ensure access to relevant information and documents for all team members in all organizations. This information could include: existing LTAs and their terms, minutes of UNCT, OMT and CPT meetings, project plan updates, market survey results, new and proposed LTAs, training schedules, minutes of the procurement review committee and vendor rosters.

As a particular example, a common web-based workspace can be established for information sharing and document drafting. Such a workspace could also include a common procurement planning tool to allow consolidated and shared planning.

Good practices for effective inter-organization information sharing include:

- biweekly meetings of the CPT with the expected attendance of each organizations’ member or alternate;
- using the UN Global Marketplace (www.ungm.org) for publishing solicitation documents, award notices, sharing LTAs and registering suppliers; and
- creating a One UN website for sharing further information, making sure that it integrates with or refers to the UN Global Marketplace.

For LTA information sharing, the HLCM Procurement Network has developed a document on “Best practices for sharing Long Term Agreements among UN Agencies”. This document can be found at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization>. Duty stations are encouraged to refer to this document when deciding how to share and use existing LTAs.

3.10 Common specifications

Cooperation in procurement can only be successful if all participants agree on buying goods or services based on common specifications. This results in larger quantities, economies of scale, better negotiation positions and a lower total cost of ownership.

In the context of procurement, a specification can be defined as a statement of needs. It defines what the purchaser wants to buy and, consequently, what the supplier is required to provide. Specifications can be simple or complex, depending on the need. The specification forms part of a solicitation document.

In the situation that an organization decides to use an existing LTA of another organization (Section 2.4), it agrees to buy the same goods as defined under the existing contract. In other cases, the participants will need to agree on the specifications to be used in the solicitation documents. Each organization may have its own wishes or preferences, but it is important that the participants agree on the specifications to be used. As such, it is essential that the end users (or technical counterparts/requestors) are involved in this phase. This is an important step in the procurement process, as proper specifications will ensure that the procurement results successfully address the end users’ needs.

From the perspective of a supplier, common procurement can be a great opportunity to provide goods or services to multiple organizations, and the supplier may offer lower prices in return for higher quantities. However, in order to achieve economies of scale and for it to be beneficial to the
supplier, the products and services to be provided to the different organizations should (as much as possible) be the same.

Please also review Section 3.6.4 for some further comments on the standardization of requirements.

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**Example**

How the CPAG deals with varying specifications between the organizations

When the requirements are completely homogenous across all participating organizations, this will lead to a single specification and an aggregated volume for the CPAG. It should also be noted that vendors will provide additional discounts when orders and quantities can be forecast in the specifications throughout a 12-to-18-month period of the contract.

When the requirements are generally the same for the participating organizations, yet there are some points that are agency specific, it is possible to prepare a general framework for the specifications and to add annexes to reflect the specific needs of different organizations.

When the requirements are very different, it is still possible to send out one solicitation, covered by a short introduction, setting out its intent. In particular, this would address the fact that the UN organizations involved are jointly soliciting for their requirements to reduce administrative costs and obtain discounts on the basis of the estimated volumes. Annexes will be required to clearly define each organization’s specific technical requirements and indicate likely annual volume and, where possible, monthly volume for each item or item category requested.

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### 3.11 Sharing vendor rosters

In its traditional sense, sourcing – i.e., the identification, evaluation and development of potential suppliers – has been a fundamental and strategic role of the procurement function. Today, this role has expanded to include the understanding and analysis of the specific marketplace from which the purchase is being made. The buyer also needs to be aware of the capabilities and background of the potential suppliers, as well as any situations that may impact on the eligibility of the supplier.

Sharing information regarding potential suppliers is a crucial part of common procurement activities and can be applied in any of the models as described in Chapter 2, even in the case of minimal common procurement. The UNGM has been established as the procurement web portal of the UN system, bringing together UN procurement staff and the supplier community. Currently, UNGM provides access to a global common database of international suppliers and to rosters of local suppliers (depending on whether these have been set up by the UN organizations or their country representations). Supplier’s performance appraisals can also be recorded on UNGM.

However, some UN organizations do not fully utilize the UNGM and still rely on vendor rosters administered at a local level. When conducting common procurement, sharing vendor rosters and information on potential suppliers will increase competition and ensure that suppliers who provide
good quality products and services are included in the solicitation, while vendors with a bad performance record can be eliminated at an early stage.

In 2011, the HLCM and CEB approved a Model Policy Framework (MPF) for Vendor Eligibility. The MPF provides a common basis for UN organizations to implement procedures for sanctioning suppliers who are involved in proscribed practices (corrupt, fraudulent, coercive, collusive, other unethical practices or obstruction). The objective of the MPF is to establish an Ineligibility List that aggregates information disclosed by affected agencies, hosted by UNGM and accessible to designated staff of all participating organizations. The List will specify the name, location, grounds for ineligibility and the effective and terminal date for each supplier who has lost its eligible status.

3.12 Evaluation and monitoring

The OMT reports to the UNCT and is responsible for monitoring, evaluation and reporting on the progress of implementation of common procurement initiatives and the work tasks outlined in the results framework and the Annual Work Plans. In order to facilitate monitoring and evaluation (M&E), the UNDG has worked out an overarching M&E framework in 2014. Please refer to UNDG’s ‘Guidance Note on Developing the UN Business Operations Strategy’, which outlines the medium-term operations strategy of the UN in support of programme delivery at the country level. The Operations Plan articulates the UNCT’s operations vision and intended results throughout the medium term with regard to the operations requirements and needs deriving from the United Nations Development Assistance Framework (UNDAF). The document can be found on the UNDG website.

When developing and using indicators to measure the success of a common procurement initiative, SMART principles can generally be applied. The SMART principles are: Specific, Measurable, Attainable, Relevant and Timely. It is preferable to use few indicators rather than many. Two to three indicators are usually sufficient, as too many make the indicator framework either useless or very expensive to manage. Make sure that your indicators are output-oriented rather than input-oriented. There are numerous indicator frameworks developed by the commercial sector (especially on procurement) that you can draw from.

Example

Annual OMT Workshops in the Philippines

The Operational Management Team (OMT) in the Philippines has had annual OMT workshops since 2004 where they evaluated their own work as well as invited vendors of bigger LTAs to hear about their supply experiences and their feedback to the organizations. There is a maintay agenda every year with a few additional topics that are added depending on the identified needs. The mainstays of the program include the presentations by the big common suppliers following a certain format given by OMT, and the discussion of the survey results across UN agencies on the performance of common suppliers. The annual workshops have become a good practice to monitor supplier performance since suppliers are more open to give feedback at workshops than in a written evaluation.
3.12.1 The Global Implementation Status Matrix (GISM)

The GISM tool was developed to record and report the implementation status of procurement collaboration at HQ, country and regional duty stations. It is a qualitative tool that records the implementation in six phases; each phase is divided into three possible statuses with corresponding points depending on the progress made by the duty station. The proof of implementation for each phase and the evidence for each status may differ from one duty station to the other. The resulting total points for a duty station reflect the extent to which a duty station has implemented procurement collaborations. Based on the points assigned to each duty station, the consolidated chart gives an overview of the current and historical implementation status across duty stations.

The GISM tool can be viewed through the link provided at UNGM Harmonization webpage. All duty stations are encouraged to add or update their implementation status in the tool regularly.

3.13 Measuring impact, benefits and savings

A methodology should be adopted for each common procurement initiative to identify and measure the impact and benefits that derive from the UN organizations procuring in common.

A consistent approach to terminology and to measuring the impacts and benefits of common procurement is necessary so that the colleagues, managers and other stakeholders of each UN organization can easily understand what is involved. You should make sure that the terms you use are consistent with those used in these Guidelines, and choose the manner in which you will measure the benefits in line with the needs of and the strategy adopted for each procurement activity. Remember that market and other circumstances affect the procurement process, and that outcomes may vary between different geographical locations.

There are two main types of impacts and benefits achievable through common procurement:

- Improved benefits impacting on efficiency and effectiveness (‘soft’ benefits), such as cost avoidance; improved service delivery; reduced staff effort required; operational efficiency or service quality improvements; increased customer satisfaction; and reduction in the time and effort spent on reviews of procurement contract award proposals by individual organizations. These benefits improve the outcomes of procurement activities but do not release ‘cash’.

- Cost savings, leading to unit cost reductions, such as through price decreases.

The process of determining the impacts and benefits of a common procurement initiative in terms of effectiveness, efficiency, quality and cost control should be undertaken at the end of each joint solicitation. Each organization should calculate the benefits that have or will accrue to the activity. An overall report should then be prepared at the level of the CPT. A presentation of impacts and benefits can include:

I. project description (e.g., commodity procured);

II. impact of project (e.g., number of participating organizations and size and value of procurement needs);

III. implemented KPIs: objectives, comparison against catalogue pricing, and individual and group prices;

IV. estimated costs to develop, procure, adopt and put in place the initiative (time and administrative overhead);
V. projected cost avoidance or cost savings (see following sub-sections);

VI. difficulty in implementing the project (easy, medium, difficult); and

VII. issues and challenges.

The impact and benefits of common procurement initiatives undertaken by organizations in a particular location should be captured and consolidated in a report at the end of each calendar year. For this sake, UNGM has updated the LTA module to allow agencies to provide feedback on LTA usage, e.g., value of procurement under the LTA and LTA supplier performance. UNGM also plans to upgrade the procurement notice module to enable the recording and reporting of collaborative procurement results by UN agencies and UNCT/OMT at all levels. In parallel, HLCM PN also developed templates to assist duty station in recording and reporting benefits and savings generated from collaboration. Such templates can be found among the supporting material attached to the Procurement Collaboration Implementation Cycle Matrix.

### 3.13.1 Cost avoidance

Cost avoidance (referred to as Estimated Cost Avoidance, or ECA) is a cost-reduction opportunity that results from an intentional action, negotiation or intervention. ECAs are relevant in three principal situations:

a. First-time or one-time purchases (including multi-year contracts) for which there are no historical price comparisons.
   Formula: Use the best applicable Purchase Price Variance (PPV) below.

b. Costs avoided through a directly negotiated contract (particularly, in the case of a sole supplier): Apart from assessing direct costs avoided, wherever possible an attempt should also be made to measure if the final negotiated price reduces the impact of market price increases deriving from inflation, currency fluctuations, etc. The reference statistics used in the measurements must be agreed upon by participating organizations.
   Formula: Use the best applicable PPV below.

c. Added value through joint procurement activities, which includes estimating the cost impact of such elements as securing better products or services with added functionalities from the previous joint, or individual organization, solicitation.
   Formula: Use the best applicable PPV below.

An ECA can thus be calculated to demonstrate benefits deriving from a common procurement initiative. ECAs must be calculated on actual volumes in order to be accurate, transparent and credible. If actual volumes are not available, the best estimated volume should be reported for each initiative.

ECAs by procurement activities are usually measured by the PPV methodology and should be undertaken with careful analysis. The three most commonly used PPV approaches are:

1. **Per cent of price difference from other offers**
   - Multiple offers: Offer as a percentage of the average price of all offers received
   - Two offers: Offer as a percentage of the highest price
   - Single offer: Check against market price (informal)
II. Per cent discounted from the catalogue or corporate price
   - Per cent discounted from the catalogue or corporate price
   - Per cent discount proposed

III. Per cent of price difference from previous price
   - Offer as a percentage of the previous price or previous contract
   - Inflation must be taken into consideration when comparing across several years

3.13.2 Cost savings

Cost savings from a common procurement initiative can take one of three principal forms:

a. **Price savings**, where there is a price decrease by comparison with the previous tender or contract for the same product or service as purchased during the preceding year. It is necessary to have a recurring spend baseline and information on the last price paid in order to measure or calculate price savings.
   Formula: \((\text{last price} - \text{new price}) \times \text{actual volume}\)

b. **Year-end rebates** that are proposed by suppliers in multi-year contracts with special conditions that guarantee a refund is received into a UN bank account. Agreement to such an arrangement should be discussed in advance with Finance departments. One way to benefit from year-end rebates is to obtain a credit note from the supplier.
   Formula: \((\text{Per cent rebate}) \times \text{baseline}\)

c. **Total Cost of Ownership** (TCO) resulting in a decreased TCO in comparison to the previous TCO. TCO must be clearly defined and include all related costs incurred, direct and indirect, in the life cycle of the goods or services and is calculated on the basis of the same scope from one period to the next.
   Formula: \((\text{old TCO} - \text{new TCO})\)

Administrative cost savings are the estimated savings generated through a reduction of staff cost and parallel operational processes when carrying out collaborative procurement compared to each agency procuring individually and establishing a separate LTA through their own solicitation processes. It should be noted though that administrative cost savings can be a negative amount at the initial stage of collaboration, when agencies are required to contribute additional resource to consolidate the requirements and coordinate the joint procurement process. However, such additional administrative cost shall be easily offset with the savings generated from reduced item price through bigger economies of scale and stronger negotiation power achieved when UN agencies procure together. The measurement of procurement impacts, benefits and savings can be a complex process. When necessary, guidance should be sought from the HQ procurement unit in each of the relevant organizations to ensure that appropriate terminology and measurement practices are used.
3.14 Multi-agency business seminars

The HLCM PN has adopted a policy on multi-agency business seminars\(^{10}\) as part of its remit to promote business opportunities for potential suppliers through cooperation with Member States.

Through organizing UN Business Seminars, the UN organizations aim to identify potential suppliers, inform them about the different UN organizations, and educate them on UN procurement procedures and on how to register as a supplier through the UNGM.

All UN Business Seminars are organized on a ‘not-for-profit’ basis through governmental agencies such as Departments of Trade and Industry, Chambers of Commerce, Export Councils, Permanent Missions to the UN, etc. Business Seminars usually take from two to three days, depending on the format, venue, other external meetings or activities, and the number of locations and suppliers participating.

Business Seminars may have different formats, depending on the objective of the organizing entity. Common components of Business Seminars are: presentations by UN organizations, including ‘Doing Business with the UN’, individual organization presentations; the UNGM/supplier registration presentation; presentations by the host country and/or suppliers; individual meetings; and assisted supplier registration.

All PN members should inform the HLCM PN Secretariat if they have received a request or proposal from a Member State to organize or participate in a multi-agency Business Seminar. The Secretariat will coordinate these seminars on behalf of the participating organizations, and will disseminate information regarding upcoming Business Seminars to the focal points in each of the organizations concerned.

You can access more information on UN Business Seminars at the UN Procurement Division website (<www.un.org/depts/ptd/seminars.htm>.

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**Example**

**UN Tanzania Supplier Workshops**

The practice of common procurement has given a notable positive effect on agencies’ procurement staff working closely together and sharing supplier performance information in order to enhance the quality of service provided to the UN. It has also provided the possibility to impact on suppliers’ adherence to the global compact principles. The UN can have a positive influence on ethical business in Tanzania through the selection of suppliers that have a good record of adherence to global compact principles and also providing information and capacity building support to the private sector on these principles. This is also further supported by the UN Tanzania’s annual supplier workshops where business people are invited to be informed about the importance of said principles and how the UN is working to monitor adherence.
3.15 Checklist: Enabling and institutionalizing common procurement

You may want to revisit some of the factors that help to enable and institutionalize common procurement as they were discussed in this chapter. Your common procurement initiative will be more likely to succeed when the following are established:

- ✔ UNCT commitment and OMT mandated to conduct common procurement initiatives (Section 3.3);
- ✔ OMT annual work plan includes common procurement activities (Section 3.3);
- ✔ Develop local procurement collaboration strategy and implementation plan (Section 3.4);
- ✔ Build collaborative procurement capacity at local level through available training resources and by engaging external expertise (Section 3.5);
- ✔ Procurement spend data and procurement forecast are compiled by each organization (Section 3.6);
- ✔ Priorities and strategies for common procurement are agreed (Sections 3.6 and 3.7);
- ✔ A CPT, to focus on and drive common procurement initiatives forward, exists and is adequately staffed (Section 3.7);
- ✔ UN organizations share procurement-related data openly with one another (Section 3.9);
- ✔ When running solicitation processes, adequate focus is given to the possibility of harmonizing specifications (Section 3.10);
- ✔ Information about vendors and existing LTAs are shared among local agencies, through relevant modules on UNGM for example (Section 3.11); and
- ✔ The CPT and the OMT record and report on the achievements of the common procurement initiative and to quantify the benefits achieved. This can be done through relevant modules on UNGM and M&E tools developed by HLCM PN (Sections 3.12 and 3.13).
Annex A. Tools, templates and examples

A.1 Division of responsibilities between HLCM & DOCO

A table has been developed to define the respective responsibilities between the HLCM-PN Harmonization Working Group and UNDG – JFBO to better clarify the roles of implementing collaborative procurement activities, especially at duty stations where BoS and Deliver as One initiatives are in place. For more information, please view the document at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

A.2 Procurement Collaboration Implementation Cycle & Matrix (Template)

The PC-ICM has been developed to give guidance with suggested activities for the implementation and institutionalization of collaborative procurement. The cycle provides a high-level workflow process whereas the matrix includes references to tools, resources and templates that facilitate the implementation of the different action items. The documents can be accessed at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

A.3 UNCT commitment to common procurement (Template)

As laid out in Section 3.3, UNCT commitment to cooperation in procurement is crucial for any common procurement initiative to succeed. A good example for exhibiting and documenting such commitment was identified with the CPAG. The preamble to the CPAG’s statutes has been adapted to suit the requirements of country offices. Feel free to adapt this template to your needs. It can be accessed under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

A.4 ToR for Common Procurement Team (Example/Template)

It is good practice to have a ToR for the CPT in place and endorsed by the OMT/UNCT. A suggested template, which is based on good practices identified at several duty stations, including UNCT Mozambique, can be accessed from the tools attached to the PC-ICM tool mentioned above.

A.5 Common UN procurement indicators

Table 1 summarizes some of the characteristics, requirements and indicators of the models presented in these Guidelines. The table can be used to check that all of the appropriate requirements of a specific model are met. It will also help in identifying possible bottlenecks and focus areas in order to be able to progress. The table presents the characteristics and requirements for the models discussed in Sections 2.3 through 2.8.
Table 1: Indicators for UN cooperation in procurement

<table>
<thead>
<tr>
<th>Section 2.3</th>
<th>Section 2.4</th>
<th>Section 2.5</th>
<th>Section 2.6/2.7</th>
<th>Section 2.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal common procurement</td>
<td>Using LTAs of other UN organizations (‘piggy-backing’)</td>
<td>Using joint LTAs (through “lead agency” approach)</td>
<td>Using procurement services/procuring from UN organizations</td>
<td>Using a joint procurement team or joint procurement unit</td>
</tr>
</tbody>
</table>

**Administration, set-up and strategic direction**

<table>
<thead>
<tr>
<th>1</th>
<th>OMT meeting schedule</th>
<th>No regular meeting schedule</th>
<th>OMT comes together irregularly or meetings are not well attended</th>
<th>OMT meets regularly and meetings are well attended</th>
<th>OMT meets regularly and meetings are well attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>OMT qualification, authority</td>
<td>Limited background in procurement of OMT members</td>
<td>Limited background in procurement of OMT members</td>
<td>Members in the OMT have some background in procurement</td>
<td>Members in the OMT have some background in procurement</td>
</tr>
<tr>
<td>3</td>
<td>UNCT agenda</td>
<td>UNCT without specific focus on operations or common services</td>
<td>UNCT with specific focus on operations and common services</td>
<td>UNCT with specific focus on operations and common services</td>
<td>UNCT with specific focus on operations and common services</td>
</tr>
<tr>
<td>4</td>
<td>OMT mandate</td>
<td>No official mandate by UNCT or no focus on procurement</td>
<td>UNCT mandated OMT to focus on procurement</td>
<td>UNCT mandated OMT to focus on procurement</td>
<td>UNCT mandated OMT to focus on procurement</td>
</tr>
<tr>
<td>5</td>
<td>Spend analysis</td>
<td>No spend analysis conducted</td>
<td>Limited spend analysis conducted</td>
<td>Spend analysis conducted</td>
<td>Spend analysis conducted</td>
</tr>
<tr>
<td>6</td>
<td>Usage of LTAs</td>
<td>Voluntary usage of other UN organizations’ LTAs</td>
<td>Mandatory usage of common LTAs</td>
<td>N/A</td>
<td>Mandatory usage of common LTAs recommended</td>
</tr>
<tr>
<td>7</td>
<td>Number of common LTAs</td>
<td>None or very few</td>
<td>Some LTAs are available for ‘piggy-backing’</td>
<td>Decided based on combined business volume from participating agencies and market situation</td>
<td>N/A</td>
</tr>
<tr>
<td>8</td>
<td>Commodity group management</td>
<td>No management of LTAs according to commodity group</td>
<td>Done by agency who owns the LTA</td>
<td>Done by “lead agency” in consultation with participating agencies or otherwise agreed among them</td>
<td>Done by agency who provides the service</td>
</tr>
<tr>
<td>9</td>
<td>Common demand planning</td>
<td>No common demand planning</td>
<td>No common demand planning: limited demand planning on selected LTAs</td>
<td>Common demand planning according to commodity group</td>
<td>Common demand planning according to commodity group</td>
</tr>
</tbody>
</table>

**Transactions and operations**

<table>
<thead>
<tr>
<th>10</th>
<th>Requirements specification</th>
<th>No common requirements specification</th>
<th>Common requirements specification not necessarily required, but helpful</th>
<th>Common requirements specification according to commodity group</th>
<th>No common requirements specification</th>
<th>Common requirements specification according to commodity group</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Solicitation</td>
<td>Each organization individually</td>
<td>Done by organization initiated the tender process</td>
<td>By lead organization</td>
<td>By procuring organization</td>
<td>By joint procurement team</td>
</tr>
</tbody>
</table>
### Table 1: Indicators for UN cooperation in procurement (continued)

<table>
<thead>
<tr>
<th>Section 4.2</th>
<th>Section 4.3</th>
<th>Section 4.4</th>
<th>Sections 4.5 / 4.6</th>
<th>Section 4.7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transactions and operations (continued)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>12 Tender evaluation</strong></td>
<td>Each organization individually</td>
<td>Done by organization establishing the LTA</td>
<td>Joint evaluation by participating organizations</td>
<td>Through procuring organization</td>
</tr>
<tr>
<td><strong>13 Contract with supplier</strong></td>
<td>Individual contracts</td>
<td>Individual contracts or only one contract signed by organization establishing the LTA</td>
<td>Only procuring organization</td>
<td>Only joint procurement team</td>
</tr>
<tr>
<td><strong>14 Procurement review</strong></td>
<td>By each organization individually</td>
<td>By originating organization, secondary reviews should be waived</td>
<td>By lead organization, secondary reviews should be waived</td>
<td>Joint procurement review body</td>
</tr>
<tr>
<td><strong>15 Purchase Orders</strong></td>
<td>Each organization individually to supplier</td>
<td>Each organization individually to supplier</td>
<td>PO issued by procuring organization</td>
<td>PO issued by joint procurement team</td>
</tr>
<tr>
<td><strong>16 Quality control</strong></td>
<td>Each organization individually</td>
<td>Each organization individually</td>
<td>Through procuring organization</td>
<td>Joint procurement team in collaboration with QA unit</td>
</tr>
<tr>
<td><strong>17 Complaint handling</strong></td>
<td>Each organization individually</td>
<td>Each organization individually</td>
<td>Through procuring organization</td>
<td>Through joint procurement team</td>
</tr>
<tr>
<td><strong>18 Cost sharing</strong></td>
<td>No cost sharing required</td>
<td>No cost sharing required</td>
<td>Cost sharing (e.g., for advertising) through workload sharing or common services budget</td>
<td>Cost sharing through handling fee</td>
</tr>
<tr>
<td><strong>19 Reporting</strong></td>
<td>Each organization individually</td>
<td>Each organization individually; piggybacking organizations might be required to report LTA usage to organization establishing the LTA</td>
<td>Each organization individually; participating organizations report the LTA usage to lead organization</td>
<td>Each organization individually</td>
</tr>
<tr>
<td><strong>20 IT systems</strong></td>
<td>Each organization individually</td>
<td>Each organization individually</td>
<td>Each organization individually</td>
<td>Alignment of IT systems may be required</td>
</tr>
<tr>
<td><strong>21 Vendor registration</strong></td>
<td>Each organization individually</td>
<td>Each organization individually</td>
<td>Only with procuring organization</td>
<td>Each organization individually or only with CPT</td>
</tr>
<tr>
<td><strong>22 Vendor database</strong></td>
<td>No common vendor database</td>
<td>Common vendor database recommended (e.g., UNGM)</td>
<td>Common vendor database recommended (e.g., UNGM)</td>
<td>Common vendor database on UNGM website</td>
</tr>
<tr>
<td><strong>23 LTA database</strong></td>
<td>No common LTA database</td>
<td>Common LTA database required, (e.g., UNGM LTA module)</td>
<td>Common LTA database required, (e.g., UNGM LTA module)</td>
<td>Common LTA database required (e.g., UNGM LTA module)</td>
</tr>
</tbody>
</table>
Joint procurement units (Input for discussion)

Using a joint procurement team or unit may be the most integrated way for cooperation in procurement. Yet, of all the operating models for cooperation in procurement described in these Guidelines, this is the one with which the UN system has the least experience. The guidance given in this chapter will therefore serve mainly as inputs for your own discussions.

Rough outlines are provided below of how UN organizations can establish a joint procurement unit and organizational framework at the country level. The key idea is to always move to a more integrated model of cooperation in procurement, with the aim of bringing the organizations closer together under a common local organizational umbrella – to increase coordination, collaboration and support among the organizations, deliver cost-effective support services, improve quality of services and deliver timely support.

In the models described below, the scope of the joint procurement unit (e.g., local commonly available services, specialized procurement, administrative vs. programme procurement) needs to be assessed. The assessment can be based on the volume and type of procurement, as well as other issues. The creation of a unit will require consideration of scope, personnel issues, systems compatibility, working space, cost sharing, etc. If a determination is made to establish a unit, a specifically mandated and resourced team (possibly known as the CPT) should be appointed to implement the project.

Three types of services could be considered for common procurement and common services:

1. Premises or building-related services that are shared requirements for the operation of the building that organizations occupy;
2. Back-office functions that are similar among organizations and where economies of scale could be achieved by establishing a shared back office; and
3. Programme commodities or services that decentralized by agencies for local procurement.

The first step towards establishing a joint procurement organizational framework is to decide on the governance model. All other decisions regarding scope of services included, sizing and service model will ultimately be decided after the new governance arrangements are established and one organization is selected to host, manage or provide services.

The objectives of joint procurement governance models are that:

- participating organizations share the responsibility and decision-making;
- accountability and decision-making responsibilities are clearly assigned;
- efficient and effective operation of all parties involved is incentivized;
- costs are shared among the participating organizations based on transparent, agreed drivers; and
- the most qualified staff member is selected for each position.
There are three potential governance models for the joint procurement organizational framework:

- **The host organization model**: The joint procurement team is set up as an independent entity governed by a joint governance body with representation of all organizations. The hosting organization will provide the legal framework for the joint procurement unit and also provide some basic services, but it will have no special responsibility or say regarding the operations of common procurement. Decision-making and accountability are shared equally among all organizations.

- **The manager organization model**: The joint procurement unit is set up as a shared entity managed by a governance body of all organizations. The joint governance body makes all decisions regarding budget, prioritization and staffing. The daily management and operational responsibility is delegated to one organization.

- **The service provider organization model**: The joint procurement unit is selected as service provider and assumes full responsibility regarding the delivery of common procurement and common services. The cost recovery and service levels will be regulated with other organizations through service-level contracts.

More details on the individual governance models are presented in the following table.

**Table 2: Options for establishing a joint procurement unit**

<table>
<thead>
<tr>
<th>Description</th>
<th>Host organization</th>
<th>Manager organization</th>
<th>Service provider organization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The joint procurement unit is a separate entity governed by a governance body representing all organizations. It is hosted in one organization for legal purposes, but the host has no direct responsibility for or decision rights over the organization of joint procurement and services.</td>
<td>The unit is governed by a governance body representing all organizations, but managed by one organization. The governance body makes all prioritization, staff and budget decisions. The managing organization is responsible for operational implementation of decisions and daily efficiency and quality management.</td>
<td>Common services are provided by one organization that assumes full responsibility for the services provided. The relationship with other organizations is regulated through MoUs, which define the service-level agreement.</td>
</tr>
<tr>
<td>Staffing</td>
<td>Staff are chosen jointly by representatives of all organizations based on skills and experience. No preference is given to host organization staff.</td>
<td>Staff are chosen jointly by representatives of all organizations based on skills and experience. No preference is given to host organization staff.</td>
<td>The service provider selects the staff independently based on specific needs.</td>
</tr>
<tr>
<td>Finance</td>
<td>The budget and efficiency targets are set by the organizations that participate in joint procurement and common services. The organizations are jointly responsible for funding joint procurement and common services. The organizations will cover costs according to agreed cost recovery principles.</td>
<td>The budget and efficiency targets are set by the organizations that participate in joint procurement and common services. The organizations are jointly responsible for funding joint procurement and common services. The organizations will cover costs according to agreed cost recovery principles.</td>
<td>The manager organization is responsible for delivering on the budget and performance targets.</td>
</tr>
</tbody>
</table>
**Remarks:** Two distinct terms are used in this document: The term ‘Common Procurement Team’ is generally used to denote the inter-agency working group under the OMT, which works out the strategy and implementation of common procurement initiatives at the country level. The terms ‘joint procurement team’ and ‘joint procurement unit’ are used here to denote more integrated teams that pursue common procurement at a more operational level.

**A.7 Common premises (Input for discussion)**

Premises shared by UN organizations are an important component of the Secretary-General’s UN Reform Programme. The main objective of establishing and maintaining common premises, including UN Houses, is to co-locate UN organizations and all relevant inter-agency staff groupings, thereby creating a unified UN image, improving collaboration among UN organizations and achieving economies of scale. Planning for common premises should always be aligned with planning of country business operations and the UN integrated programme and operations strategy.

Common premises also support the cooperation of UN organizations in procurement. The benefits of bringing people together such that they can easily exchange and share information and experiences should not be underestimated. When designing the ‘Green One UN House’, the country team in Viet Nam planned the layout of the location in such a way that staff who perform the same functions are clustered together – rather than a clustering according to their affiliation to a specific organization. Through this co-location of procurement staff, exchange of information, data and good practice will be facilitated. Moreover, by bringing people together, pooling funds under common plans may be facilitated, leading to joint procurement plans and eventually procuring as One UN.

### Table 2: Options for establishing a joint procurement unit (continued)

<table>
<thead>
<tr>
<th>Governance</th>
<th>Host organization</th>
<th>Manager organization</th>
<th>Service provider organization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Joint governance by the governance body with one representative from each organization. All organizations have the same responsibilities and decision rights.</td>
<td>The governance body may delegate the daily management of the joint procurement unit to the manager organization.</td>
<td>The service provider organization makes all daily decisions within the frames of the service-level agreements and undertakes an annual evaluation.</td>
</tr>
</tbody>
</table>

#### Evaluation criteria
- Hosting fee
- Flexibility of human resource rules
- Past performance in managing efficient joint procurement and common services.
- Proposed model
- Hosting fee
- Past performance in managing efficient common services
- Proposed model
- Cost of services (full budget)
- Efficiency levers proposed

#### Decision process on joint procurement model
- The governance body determines the organization, size, staffing and budget after the selection of the host organization. The only element that is determined during the selection process is the hosting fee where the winning bid will be binding.
- Organization, size, staffing and budget subject to final approval by the governance body. The starting point for the decision on organization, size and transition plan will be the winning proposal. The hosting fee will be determined in the selection process.
- The service provider organization determines the organization, staffing and budget for common services. The winning bid will be binding for the first year and there will be a cap on price increases in subsequent years. Final negotiation of service levels and prices after selection.
A Task Team on Common Premises (TTCP) is established under the DOCO/UNDG. It was established to provide country teams with technical advice and guidance on the creation of UN Houses, common premises and common services. If you are interested in finding out more about the work of the TTCP, check the UNDG website (<https://undg.org/home/undg-mechanisms/common-premises>) or go to <www.undg.org>) for the current contact details of the TTCP.

### A.8 Source Selection Plan (Template)

The Source Selection Plan is an internal and collective document, under leadership of the procurement office/CPT. It describes critical components of the acquisition process and provides justification for sourcing and procurement decisions in order to achieve the Best Value for Money principle. It documents assumptions, decisions and justifications, as the procurement action can be over a long period of time and subject to change. The Plan provides an objective approach to the methodology of selecting the best source to fulfil the established need. The procurement office/CPT and the technical counterparts/requestors are jointly responsible for contributing and preparing the Plan before the solicitation documents are issued.

Depending on the complexity of the procurement, the Source Selection Plan may be summarized in a few lines, or consist of long and precise descriptions of the steps of the evaluation necessary to ensure Best Value for Money for the organization. The following would be appropriate elements in the Plan:

- description of the requirement (including operational circumstances, timeline, etc.);
- solicitation method (RFQ, RFP, ITB) and justification thereof;
- sourcing method (identification of suppliers);
- contractual instrument to be used;
- evaluation team(s) responsible for technical and commercial evaluation;
- evaluation criteria and reasonable minimum criteria;
- weighting (i.e., the relative importance of each of the evaluation criteria);
- market conditions;
- planning and procurement activity schedule;
- rating and scoring system;
- required level of expertise and resource capacity of technical counterparts/ requestors;
- risk factors that should be assessed during the evaluation and potential remedies;
- any relevant information with regard to the forthcoming contract management capacity and expertise, staff training, equipment maintenance, after-sales service, disposal, etc.; and
- applicable methodology for measuring benefits.
Any rating system for submission evaluation – both technical and commercial – must include all relevant details determined appropriate by the procurement office/CPT and the technical counterparts/requestors. The procurement office/CPT must include a description of the rating system in the solicitation documents.

The evaluation criteria in the Source Selection Plan should not unduly disqualify suppliers from developing countries and countries with economies in transition and should be based on the principles of fairness and equity. The Plan shall be made available to the relevant Procurement Review Committee upon request, as it may be subject to questions at a later date. The selected procurement strategy, which was the result of a conscious decision at the time of the Plan development based on external and internal factors (market, vendor, staff, technology, etc.), may vary in different situations. Therefore, it is critical for procurement staff to develop expertise in drafting such Plans and to engage the technical counterparts/requestors to fully contribute to this exercise.

The Source Selection Plan can be accessed under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>. It can be adapted to suit local requirements.

A.9 Foreword for LTAs, ITBs, RFPs and RFQs (Example)

A good way to exhibit coherence at the country level was identified at the UN Procurement and Administration Working Group in Mozambique: the inclusion of a One UN foreword to common LTAs, ITBs, RFPs and RFQs. The example One UN foreword can be accessed under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

A.10 Harmonized UN procurement process (Example)

The activity-based costing tool presented in the following sections is based on data originally collected in Mozambique, which as a pilot country was seeking to establish universal norms. Other countries are therefore able to make use of this analysis with only a fraction of the initial effort involved.

During the same exercise, many organization-specific procurement processes were analysed and the possibility of harmonizing these was evaluated. The upshot was a standardized, harmonized procurement process (denoted ‘to-be procurement process’ in the following) that is in line with organization-specific procurement manuals and FRRs. It is expected that this harmonized procurement process can be applied in other contexts with only minor alterations. The flowchart of the harmonized to-be procurement process can be accessed under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

While HQs are requested to harmonize procurement policies and FRRs before cooperation at the field level, the harmonized procurement process presented here is ‘within the bandwidth’ of existing regulations and rules.

You may also want to review Section 3.2, where it is argued that the comparative analysis of the organizations’ FRRs present no impediments to UN cooperation per se.
A.11 Activity-based costing (Example/Template) – STANDARD version

A.11.1 Introduction and overview

We are frequently requested to calculate the cost for certain activities. For example, what are the internal costs of running different solicitation processes? How much can costs be reduced by using LTAs rather than repeated solicitation?

Activity-based costing (ABC) (discussed below), where we express the time spent on a certain activity as a dollar value, can help you answer these questions – in the context of your local operations. A straightforward and easy to use template is provided below. Two versions of the ABC template are provided. The differences are outlined in the following table. We strongly recommend that you start with the standard version in order to come up with a rough estimate quickly. Very often, this will suffice for the purpose of the analysis. If you want to dig deeper and run a more complex analysis, you should use the expert version, which may require several hours of reading through the instructions and getting familiar with the template.

<table>
<thead>
<tr>
<th>Section A.9: STANDARD</th>
<th>Section A.10: EXPERT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will enable quick and rough results within a couple of hours</td>
<td>Will enable you to run more complex and detailed analyses but requires substantial time to become familiar with the template and instructions</td>
</tr>
<tr>
<td>Will require basic Excel skills</td>
<td>Will require substantial experience with Excel</td>
</tr>
<tr>
<td>Will require basic familiarity with the different procurement processes of your organization</td>
<td>Will require thorough knowledge of the different procurement processes of your organization</td>
</tr>
<tr>
<td>Will only deal with the current as-is processes</td>
<td>Also includes insights from the harmonized to-be process</td>
</tr>
</tbody>
</table>

A.11.2 Objectives

One of the main advantages of cooperation in procurement is the possibility of reducing redundant work and lowering staff workload, thus enabling staff to focus their attention on more value-added activities. Often, country teams are requested to provide a business case for common procurement, present the benefits achieved or analyse the reduction in transaction costs to be achieved through cooperation in procurement.

This tool will help you with some of these analyses. In particular, after applying this tool you will be able to:

■ transparently present how much internal costs are created by running various procurement processes, i.e., RFQ, RFP, ITB and PO against LTAs;
■ illustrate how much time is spent by running various procurement processes;
■ compare your costs and time efforts with the costs of other organizations of the UN system (if you fill in the data for all other organizations); and
■ analyse possible savings (in time spent and workload or in reduction of transaction cost) when moving towards creating more LTAs instead of repeated ITBs/RFPs.

The key idea of the ABC approach is that that time spent on individual activities that need to be carried out for the procurement processes is recorded – activity by activity. Using staff costs, the internal costs for running the processes is calculated. Ultimately, an estimate of potential benefits can be established if procurement were to be undertaken commonly (e.g., by reducing the number
of conducted procurement processes) or if more LTAs were established (i.e., by running less expensive processes more frequently). Finally, a report of the analysis can be prepared highlighting potential efficiency improvements, and submitted to the OMT/UNCT.

A.11.3 Instructions

Access the tool ‘Activity-based costing Procurement Process STANDARD’ under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>. The standard instructions are as follows:

1. Only cells highlighted in YELLOW can be changed. All other cells are protected.
2. Go to the sheet ‘13. Pro-forma Costs’ and update Column D with the relevant cost factors in your country.
3. Go to the sheet with your organization’s name. Depending on the organization you work for, this is either sheet 9, 10, 11 or 12. Verify that the assumed times for the procurement activities reflect the situation in your organization (columns C, D, E). Note that there are values inserted for the average or most likely time required, as well as for pessimistic (high) and optimistic (low) guesses. You may want to change these depending on your local situation, but generally, these are sound estimates.
4. Go to sheet 1. Scenario overview for a comparison of the costs and time required for your organization for various procurement processes (RFQ, ITB, RFP and PO against LTA). If you have updated all the sheets 9, 10, 11, 12, you will now also be able to compare the costs and time required for the other organizations to run these procurement processes. Please pay particular attention to the difference between the costs of your RFQ, ITB, and RFP processes and the costs of your PO against LTA process. This shows how much internal costs and time could be saved when replacing repeated ITBs/RFPs with LTAs.

A.12 Activity-based costing (Example/Template) – EXPERT version

The objectives of using the expert version of the activity-based costing tool are the same as before; see also Sections A.9.1 and A.9.2. Be aware that using the EXPERT version will require advanced Excel skills. Please also make sure that you set aside enough uninterrupted time in order to familiarize yourself with the tool.

A.12.1 Instructions

Access the tool ‘Activity-based costing Procurement Process EXPERT’ under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>. You will also need the flowchart of the harmonized to-be procurement process, which can also be accessed under the previous link. All ‘to-be’ sheets and analyses in the Excel table are based on this harmonized procurement process. The expert instructions are as follows:

1. You should only change the analysis more substantially if you possess a good knowledge of Excel, since there are many interconnections and dependencies between the various sheets in the workbook.
2. In general, only cells highlighted in YELLOW should be changed. All other cells are protected. If you want to modify any sheet, you will need to unprotected the workbook. The password required to unprotect the workbook is ‘abc-procurement’.
3. Go to the sheet ‘13. Pro-forma Costs’ and update Column D with the relevant cost factors in your country. If required, you may change some of the existing lines to represent positions that are not yet included (e.g., P3- or P2-level officers).

4. Go to the sheet with your organization’s name. Depending on the organization you work for, this is either sheet 9, 10, 11 or 12. Verify that the assumed times for the procurement activities reflect the situation in your organization (columns C, D, E). Note that there are values inserted for the average or most likely time required, as well as for pessimistic (high) and optimistic (low) guesses. You may want to change these depending on your local situation, but generally, these are sound estimates.

5. In addition to the instructions for the STANDARD version, there are two other changes you may want to make to the Excel table:
   (a) Changing the as-is procurement processes by, e.g., adding or deleting sub-processes and activities; and
   (b) changing the responsibilities for certain activities or the composition of the procurement review committees.

However, please note that it is unlikely that you would have to change either of these, since the as-is analyses are based on the organization-specific procurement manuals, policies and procedures.

6. For 5(a), go to the organization-specific as-is sheet, i.e., 9, 10, 11, or 12. Column A indicates the sub-processes (e.g., ‘Purchases less than USD 5,000’) and the activities involved in these (e.g., ITB, RFP, etc.). If you want to remove any of these activities, the easiest way to do this is to set the values in columns C, D, and E to 0 minutes. If you would like to add activities, you could either increase the time required for a specific activity or insert a line to include a completely new activity. In that case, fill in columns C, D, and E with the time required and column G with the grade level of the person required, and multiply time required with grade-level data from the pro-forma staff costs. The partial sums, or total lines (e.g., lines 9, 18 and 31 in the sheet ‘11. WFP (as-is)’), will update automatically. The partial sums feed directly into the organization-specific columns in sheet ‘2. As-is analysis (cost)’ (e.g., for FAO columns F, G, H), where an overview of the costs of the sub-processes is presented. From there, the sheet ‘1. Scenario overview’ is fed where the procurement processes are ‘assembled’ by adding various sub-processes. You may wish to alter your as-is processes by re-assembling these.

Example: The as-is ITB process for UNDP can be seen in cell F12. It consists of the sub-processes in cells J4, J6, J11, J16 and J17 in sheet ‘2. As-is analysis (cost)’. If you want to change UNDP’s as-is ITB process, simply add or remove elements from this sum in cell F12.

7. For 5(b) go to the organization-specific as-is sheet, i.e., 9, 10, 11, or 12. Column A indicates the sub-processes (e.g., ‘Purchases less than USD 5,000’) and the activities involved in these (e.g., ITB, RFP, etc.). Columns F and G indicate the person(s) responsible for conducting the activity and their respective grade levels.

Example: On sheet ‘9. UNICEF (as-is)’ the activity ‘Open and Sign Offers’ (line 11) is undertaken by an Evaluation Committee (column F) composed of one G5, G4 and NO1 staff. Therefore, the minutes required for the activity are multiplied with “each” of the respective staff member’s pro-forma minute costs and then summarized (cells H11, I11,
J11). Adding or removing staff members or changing their grade levels is straightforward: Simply change the elements of the sums in columns H, I, and J. These data are used on other sheets of the tool automatically – see 5(a) above for an elaboration. Changes in the numbers of people responsible for a certain activity also have an effect on sheet ‘3. As-is analysis (time)’. There, the time required for each procurement sub-process is calculated by adding the individual activities and multiplying the activities by the number of persons required to carry out an activity.

Example: FAO’s average time required for an RFQ (sheet ‘3. As-is analysis (time)’, cell G8) is calculated by adding the times for the required activities in sheet ‘10. FAO (as-is)’, cells D27-D32. The activities in lines 30 and 32 require five people (compare cells G30 and G32). Therefore, the respective times are multiplied by 5 in cell G8 to calculate the overall time required for the sub-process RFQ. After having understood how this works, changing the respective cells to accommodate your needs should be straightforward.

8. Go to sheet 1. Scenario overview for a comparison of the as-is costs and time required for your organization for various procurement processes (RFQ, ITB, RFP, and PO against LTA), possibly compared with the costs and time required for other organizations. You may want to compare the as-is costs of your current processes with the cost and time required if the developed to-be harmonized procurement process were applied. Please pay particular attention to the difference between the as-is costs of your RFQ, ITB, and RFP processes to the as-is costs of your PO against LTA process. This shows how much internal costs and time could be saved when moving or replacing repeated ITBs/RFPs with LTAs. All data will have been updated automatically.

A.12.2 Contents of Excel table

The content of the sheets contained in the Excel table of the expert version is further elaborated in the following table.

Table 3: Contents of Excel tool ‘Activity-based Costing’

<table>
<thead>
<tr>
<th></th>
<th>Instructions</th>
<th>As-is analysis (cost)</th>
<th>As-is analysis (time)</th>
<th>As-is analysis (activities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0. Instructions</td>
<td>Instructions on how to use the Excel table and the contents of the different sheets.</td>
<td>Costs of conducting the as-is procurement sub-processes for UNICEF, FAO, WFP and UNDP, based on data from sheets 9–12. This sheet merely summarizes some of the data from sheets 9–12 by providing an overview of the costs for each as-is sub-process. No data should be changed here. If at all required, changes should be done on the organization-specific as-is sheets, i.e., 9–12.</td>
<td>Time required for each procurement sub-process under the as-is procurement process for UNICEF, FAO, WFP and UNDP, based on data from sheets 9–12. See the explanations for sheet ‘6. To-Be Analysis (time)‘, which are applicable analogously here. No data should be changed here. If at all required, changes should be done on the organization-specific as-is sheets, i.e., 9–12.</td>
<td>Number of activities for each procurement sub-process under the as-is procurement process of UNICEF, FAO, WFP, and UNDP, based on data from sheets 9–12. No data should be changed here. If required, changes should be done on the organization-specific as-is sheets, i.e., 9–12.</td>
</tr>
</tbody>
</table>
5. To-be analysis (cost) | Costs of conducting the harmonized to-be procurement sub-processes for UNICEF, FAO, WFP and UNDP, based on data from sheet ‘8. To-be activity costing’. This sheet merely summarizes some of the data from the sheet ‘8. To-be activity costing’ by providing an overview of the costs for each to-be procurement sub-process.

6. To-be analysis (time) | Time required for each procurement sub-process under the to-be harmonized procurement process for UNICEF, FAO, WFP and UNDP, based on data from sheet ‘8. To-be activity costing’. You will notice differences between the different organizations. Although the procurement process has been harmonized, each organization requires a different number of people to be present in the different steps. Compare, for instance, cell C5 (UNICEF) with F5 (FAO). The different numbers here derive from the fact that UNICEF involves three people in the step ‘Open and Sign offers’, whereas FAO involved five people in the same step – see sheet 8. To-be activity costing, cells D11, H11 and M11.

7. To-be analysis (activities) | Number of activities for each procurement sub-process under the to-be harmonized procurement process of UNICEF, FAO, WFP and UNDP, based on data from sheet ‘8. To-be activity costing’. As you can see here, the number of activities for the different steps have been harmonized (they are the same for each organization), but there are still different steps of the process itself, which are dependent on the respective organization (e.g., UNICEF does not submit to the HV PEC – line 9 – under the to-be harmonized procurement process).

8. To-be activity costing | Detailed to-be costs of UNICEF, FAO, WFP and UNDP using the to-be harmonized procurement process and the pro-forma costs. This is one of the main data sheets from which data is drawn for the other to-be sheets.

9. UNICEF (as-is) | Detailed as-is, UNICEF-specific costs of procurement activities and sub-processes.

10. FAO (as-is) | Detailed as-is FAO-specific costs of procurement activities and sub-processes.

11. WFP (as-is) | Detailed as-is WFP-specific costs of procurement activities and sub-processes.

12. UNDP (as-is) | Detailed as-is UNDP-specific costs of procurement activities and sub-processes.

13. Pro-forma Costs | Pro-forma costs are listed here for all relevant staff levels within a country. The costs can be entered in column D, with applicable administrative expenses to be updated in cells C57-C61. All other data are derived from these figures. The data in column I (“Cost/Minute”) are the basis for all time-based cost calculations within the workbook.

14. Committees | Notes on administrative information about the local procurement review bodies. This information is not directly used further in the analyses, but you may want to fill in your local information here for reference.

A.13 Local procurement data collection (Templates)
Templates that can be used and adapted for local collection and analysis of procurement data can be found under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

A.14 Baseline Needs, Cost-Benefit Assessment (BNCB) (Template)
Further to the tools mentioned above, the BNCB assessment tool has been developed to help identify key areas for collaboration through the analysis of costs and savings resulting from collaborative procurement. The tool also helps to assess or reflect the current level of collaboration, commitment from key stakeholders, resources, staff capacity as well as mid- to long-term targets for collaboration. This tool will also support duty stations in developing a strategy for collaborative procurement by identifying shared needs and categories of goods and services that can generate savings if procured in collaboration. The template can be accessed from the tools attached to the PC-ICM tool mentioned in early section.
A.15 LTA database (Template)

The UNGM has developed an LTA database where UN procurement staff can search for and register LTAs. The LTA database will support you to:

- identify whether any LTAs currently exist for those categories identified as having a potential for common or organization-specific procurement;
- review existing LTAs and determine whether other organizations can use them; and
- identify which additional common LTAs could meet the needs of the organizations in a specific country.

The LTA search modality is available when signed in on UNGM. More information about the UNGM registration process can be found at: <https://www.ungm.org/Public/Pages/RegistrationProcess>. Once logged in on UNGM, the LTAs database and search function can be found under ‘Search LTAs’.

It is important to ensure that UN procurement staff have access not only to the information about the existing LTAs but also to the LTAs themselves. You may want to discuss within the OMT the best approach to making the LTAs easily accessible to all UN procurement staff.

A.16 Best practices for sharing LTA

Making established LTAs available for use by other UN agencies enhances the efficiency in the procurement process and takes advantage of the benefits of economies of scale. A document has been developed by HLCM PN for establishing best practices of sharing LTAs among the UN agencies. UN agencies are encouraged to publish general information about the LTAs on the UNGM website. In addition, when tendering to establish an LTA, the lead UN agency is encouraged to include clauses in the solicitation documents that will allow other agencies to “adopt” the same terms and conditions. Whether a UN agency should use an LTA established by another UN agency should be considered in regard to the fulfilment of requirements, specifically in terms of value for money and fit-for-purpose. Joint contract management and supplier performance management are encouraged to ensure proper utilization of the common LTA. The Best Practices document can be accessed under <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>.

A.17 Template organization-specific LTAs (Template)

Several organization-specific LTA templates have been collected and can be accessed under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>: UNICEF-specific LTA, UNDP-specific LTA, UNHCR-specific Framework Agreement.
A.18 Global Implementation Status Matrix (GISM) and Collaboration Records & Results Template

The GISM tool supports the monitoring and evaluation of the implementation of collaborative procurement. The matrix documents the progress made by duty stations in the six phases of implementing the collaborative procurement. The GISM tool is a qualitative reporting tool. Alongside the GISM, the Collaboration Records and Results template was developed to record tangible benefits and savings generated from collaboration by each item category. The two tools together will show a comprehensive picture of the status of collaboration at a duty station; and the consolidated results from participating duty stations will give a global overview of UN procurement collaboration. Both tools can be accessed from the tools attached to the PC-ICM tool mentioned in early section.

A.19 Contract and bidding monitoring (Example/Template)

Based on the simple LTA database discussed in the previous section, you may want to consider establishing a more advanced contract and bidding monitoring tool. This tool supports you with gathering more advanced data on available contracts and ongoing solicitation processes. A good example has been identified at the UN Procurement and Administration Working Group in Mozambique and can be accessed under ‘Tools and Templates’ at <https://www.ungm.org/Public/KnowledgeCentre/Harmonization/Guidelines>. This example has been further developed into a template that you can use at your convenience, and which can also be accessed under the previous link.
Annex B. Glossary

Activity-based costing
Activity-based costing is a costing model that identifies cost drivers and assigns all direct and indirect resource costs to cost objects (e.g., products and services) according to the actual (or estimated) consumption by each.

Back office/back-office functions
A back office is a part of most corporations or organizations where tasks dedicated to running the organization itself take place. Although the operation of a back office is seldom prominent, it is a major contributor to support the core functions of the organization. Examples of back-office tasks include IT departments, accounting, human resources, procurement, finance and other support or common services functions.

Best practice/good practice
A good practice is a context-specific method or activity that is believed to be more effective at delivering a particular outcome than other methods or activities when applied to a particular condition or circumstance.

The term ‘best practice’ is avoided in these Guidelines, as it would imply that adoption of a best practice is expected. However, as the operational reality of UN programmes is diverse, so-called best practices will only be valid under specific conditions and in particular environments. Hence, the term good practice is preferred and it should be stated under which circumstances a good practice applies.

Bottleneck
A point of congestion in a system that impedes progress, or where the performance or capacity of the entire system is limited by a single or limited number of components or resources.

Business case
A business case captures the reasoning for initiating a project or task, often presented in a well-structured written document, but may also come in the form of a short verbal argument or presentation.

Business Seminars
An outreach activity aimed at identifying potential suppliers to the UN System, informing the potential suppliers about the different UN organizations, and educating them on UN procurement procedures and how to register as a supplier through the UNGM website. More information on UN Business Seminars can be accessed at the website of the UN Procurement Division: <www.un.org/depts/ptd/seminars.htm>.
Chief Executives Board
The UN System Chief Executives Board is the highest-level coordination mechanism of the UN. It brings together the leaders of the UN organizations under the chairmanship of the Secretary-General. It ensures that the UN system delivers as one at the global, regional and country levels on the broad range of commitments made by the international community.

Commodity group
In the context of these Guidelines, the term commodity group refers to goods and services that are similar in nature.

Common Procurement Team
An inter-agency team of procurement staff from UN organizations established specifically to conduct joint or common procurement. May also be referred to as a working group or task force in some locations.

Common Services
Common services is a generic term used to describe the implementation of common administrative functions (human resources, ICT, security, finance, travel, etc.) among UN organizations that are needed to deliver programmes effectively.

Common procurement
The sharing of the procurement process by UN organizations where there is a common requirement for the same goods, works or services.

Community of Practice
A Community of Practice (CoP) is a group of people who share an interest and/or profession. The group can evolve naturally because of the members’ common interest in a particular domain or area, or it can be created specifically with the goal of gaining knowledge related to their field.

Contract
In the context of UN procurement, a contract is a written, legally binding agreement between the organization and a supplier, which establishes the terms and conditions, including the rights and obligations of the organization and the supplier. A contract may take many different forms, e.g. agreement, purchase order, memorandum of understanding, letters of assist.

Contract review
See procurement process review.

(Estimated) cost avoidance
The (estimated) cost avoidance is the calculation that measures the result of a procurement action that will mitigate the impact of a potential price increase as a result of either a solicitation or direct contract negotiation to obtain goods or services from a supplier. Cost avoidance is calculated for first-time or one-time purchases, negotiated contracts, joint procurement projects and value-added savings, and it is calculated on estimated or actual volumes.

Cost savings
Cost savings is the calculation that measures the result of a procurement action that results in a lower price from the previous contract for the same product, regardless of whether the purchased volume increases or decreases. It is based on actual volumes and may include year-end rebates.
**Country level**
Refers to the UN system presence in a country.

**Delivering as One**
The initiative to increase the UN's impact through more coherent programmes, reduced transaction costs for governments, and lower overhead costs for the UN system.

**Effectiveness**
Effectiveness is the capability of producing a desired result. When something is deemed effective, it means it has an intended or expected outcome. See also Efficiency.

**Efficiency**
Efficiency in general describes the extent to which time or effort is well used for the intended task or purpose. It is often used with the specific purpose of relaying the capability of a specific application of effort to produce a specific outcome effectively with a minimum amount or quantity of waste, expense or unnecessary effort. ‘Efficiency’ has widely varying meanings in different disciplines.

The term ‘efficient’ is often confused and misused with the term ‘effective’. In general, efficiency is a measurable concept, quantitatively determined by the ratio of output to input. ‘Effectiveness’ is a relatively vague, non-quantitative concept, mainly concerned with achieving objectives.

**Enterprise Resource Planning**
A software system that is used to manage and coordinate all of the resources, information and functions of a business or organization. ERP systems usually include modules for financial accounting, controlling, human resources, sales, and supply chain/material management (including procurement and inventory management).

**Excom agency**
An agency in the UNDG Executive Committee. The UNDG Executive Committee consists of the four funds and programmes that report directly to the Secretary-General: UNICEF, UNFPA, WFP and UNDP. (The High Commissioner for Human Rights is an Ex-Officio member of the Committee.) The Executive Committee focuses on reforming the work methods of the funds and programmes and manages the mechanisms of the UNDG. It meets every other month and is chaired by the UNDP Administrator.

**General Terms and Conditions**
The General Terms and Conditions (sometimes referred to as ‘general conditions of contract’) are a set of standard contractual provisions which are incorporated into virtually every commercial contract that the UN, including its Funds and Programmes, concludes. The General Conditions cover a range of issues, including the contractor’s status vis-à-vis the Organization, the use of sub-contractors, indemnification, intellectual property rights, use of the name, emblem or seal of the United Nations, termination and events of force majeure, dispute settlement, privileges and immunities, standards of conduct, and amendments.

**High Level Committee on Management**
The High Level Committee on Management (HLCM) is established under the Chief Executives Board (CEB) and is responsible for ensuring coordination in administrative and management areas across the UN system. The HLCM is composed of the most senior administrative managers of organizations...
of the UN system. It meets face-to-face twice a year and undertakes ad-hoc consultations and coordination initiatives on a continuing basis. It is supported by five technical networks in the areas of finance and budget, human resources, ICT, procurement and legal matters.

**Invitation to Bid**
A formal method of solicitation where prospective suppliers are requested to submit a bid for the provision of goods or services. Normally used when the requirements are clearly and completely specified and the basis for award is lowest cost.

**Lead organization**
The UN organization that takes the lead or manages a procurement process on behalf of, or in conjunction with, other UN organizations.

**Long-term agreement**
A written agreement between an organization of the United Nations system and a supplier that is established for a defined period of time for specific goods or services at prescribed prices or pricing provisions and with no legal obligation to order any minimum or maximum quantity.

**Operations Management Team**
The Operations Management Team (OMT) consists of the heads of operations/administration of the UN organizations at the country level. Under the guidance of the UN Country Team (UNCT), the OMT is the management and oversight body for common services and harmonized business practices.

**Organization**
Within these Guidelines and unless otherwise stated, references to an organization, or organizations of the UN system, means all specialized agencies, organizations, bodies, programmes, funds or commissions within the United Nations System of Organizations. More information on organizations of the UN system can be found here: [www.un.org/en/aboutun/structure/index.shtml](http://www.un.org/en/aboutun/structure/index.shtml).

**Pilot countries**
The eight countries that took part in the ‘Delivering as One’ initiative. The pilot countries were Albania, Cape Verde, Mozambique, Pakistan, Rwanda, the United Republic of Tanzania, Uruguay and Viet Nam.

**Practitioner (procurement)**
A UN staff member who undertakes procurement for his or her organization.

**Procedure**
An established or official way of doing something; a fixed, step-by-step sequence of activities or course of action.

**Procurement**
The acquisition through purchase or lease of real property, goods or other products (including intellectual property), works or services.

**Procurement Network**
The network comprising of the chief procurement officials of member organizations of the UN system established under the High Level Committee on Management (HLCM). Its mandate is to
promote the strategic importance of Procurement and Supply Chain Management in programme and service delivery in a transparent and accountable manner. Its programme of work focuses on the efficiency and effectiveness of the purchasing function within the UN system, through collaborative arrangements, simplification and harmonization of procurement practices, and by fostering professionalism among the staff responsible for procurement.


Procurement process review
A formal review of the procurement processes prior to an award of contract to verify whether procurement has been undertaken in accordance with established regulations, rules, policies and procedures and that the UN organization's interests are properly protected. Alternatively, UN organizations may use the terms Contract Review or similar terms for the same process.

Purchasing
Buying goods, works or services. See also Procurement.

Request for Proposal
A formal method of solicitation where prospective suppliers are requested to submit a proposal for the provision of goods, works or services, based on the Specifications, Scope of Work, or Terms of Reference included in the solicitation documents. Normally used in cases where the requirements are complex; cannot be clearly or completely specified, where detailed technical evaluations are to be performed, and/or where pricing or cost may not be the sole basis of award.

Request for Quotation
An informal method of solicitation whereby suppliers are requested to submit a quotation for the provision of goods or services. Normally used for standard, off-the-shelf items, where the value of the procurement falls below the established threshold for formal methods of solicitation.

Solicitation
Generic term for a request to suppliers to offer a bid, quotation or proposal.

Source Selection Plan
The Source Selection Plan is a document that summarizes the critical control points and decisions of a procurement process. It includes the supplier sourcing method, supplier eligibility, solicitation method, criteria for bid adjudication, final criteria and risk factors to consider in order to achieve Best Value for Money.

Currently, UN organizations use a number of different terms for the same or similar type of document: Sourcing Plan, Solicitation Plan, Acquisition Plan, Procurement Plan and others.

Specifications
A description of the technical requirements for a material, product or service. Usually referring to the defined requirements for materials or products, but can also relate to the requirements for services (Terms of Reference), or works (Statement of Work).
Spend analysis
The process of collecting, classifying and analysing expenditure data with the purpose of reducing procurement costs, improving efficiency and monitoring compliance.

Supplier
An entity that potentially or actually provides goods or other products (including intellectual property), services and/or works to the organization. A supplier may take various forms, including an individual person, a company (whether privately or publicly held), a partnership, a government agency or a non-governmental organization.

Tender
A tender is a bid or offer made on the part of a supplier.

Terms of Reference
A description of the scope of work for services generally indicating the work to be performed, the level of quality and effort, the timeline and the deliverables.

Transaction costs
Costs, other than purchase costs, incurred between two or more entities during the process of procurement.

UN system
Refers to all agencies, organizations, bodies, programmes, funds or commissions within the UN system of organizations. More information on organizations of the UN system can be accessed at <www.un.org/en/aboutun/structure/index.shtml>.

Vendor
See Supplier. Acknowledging that UN organizations use differing understandings of the terms Vendor and Supplier, both terms are used synonymously throughout these Guidelines.
Annex C.
Contacts and websites

If you would like to provide feedback on these Guidelines or if you have any questions regarding common procurement, please contact the Procurement Network Secretariat which will be able to support you or direct you to an appropriate contact person. The Secretariat can be reached on +45 4533 6054, <HLCMPN.Secretariat@one.un.org>.

Table 4: Useful websites

<table>
<thead>
<tr>
<th>Organization/Project</th>
<th>Website/Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executives Board</td>
<td>&lt;www.unsceb.org&gt;</td>
</tr>
<tr>
<td>DOCO</td>
<td>The point of contact for country offices: &lt;www.undg.org/?P=15&gt;</td>
</tr>
<tr>
<td>Harmonization Project</td>
<td><a href="https://www.ungm.org/Public/KnowledgeCentre/Harmonization">https://www.ungm.org/Public/KnowledgeCentre/Harmonization</a></td>
</tr>
<tr>
<td>Harmonization Project (for Working Group members)</td>
<td><a href="https://one.unteamworks.org/node/115088">https://one.unteamworks.org/node/115088</a></td>
</tr>
<tr>
<td>High Level Committee on Management</td>
<td>&lt;www.unsceb.org/content/hlcm&gt;</td>
</tr>
<tr>
<td>Procurement Network and Procurement Network Secretariat</td>
<td>The Procurement Network Secretariat can always direct you to the Harmonization working group members and other procurement practitioners involved in the maintenance of these Guidelines: &lt;www.unsceb.org/content/pn&gt;</td>
</tr>
<tr>
<td>UN System Staff College</td>
<td>The Staff College conducts regular training sessions in Common Services and Common Procurement: &lt;www.unssc.org/home/&gt;</td>
</tr>
<tr>
<td>UNDG</td>
<td>&lt;www.undg.org&gt;/</td>
</tr>
<tr>
<td>UNGM</td>
<td>&lt;www.ungm.org&gt;/</td>
</tr>
</tbody>
</table>
In the following sections, brief introductions are given to the most relevant resources for procurement practitioners.

**D.1 Common UN Procurement**

**Where do you find it?**
- This document is the guidelines on “Common UN Procurement at the Country Level”
- The Guidelines are posted on the DOCO and UNGM websites, together with all tools; or enter the term ‘Common UN Procurement at the Country Level’ in search engine

**What do you find there?**
- Recommendations for business processes for a common procurement at the country level
- Guidance on establishing a CPT, use of LTAs, and establishing common LTAs
- Guidance and tools for conducting a spend analysis and the compilation of other procurement data

**When should you go there?**
- Should be your primary resource when planning to establish common procurement and moving towards more integrated common procurement

**D.2 United Nations Development Group (UNDG) website**

**Where do you find it?**
- Internet: <www.undg.org>

**What do you find there?**
- Documents from UNDG meetings
- Information on UNDG working groups and networks
- Information and guidance on UN Reform (including Delivering as One), establishing common premises and joint communication strategies
- Information on the Resident Coordinator system and UN Country Teams

**When should you go there?**
- If you need advice or support in achieving development goals
- If you require guidance on business operations, coordination, planning and programming
- If you are a coordination officer in a country and would like to access the UNCT database to maintain country information such as UNCT or OMT membership
### D.3 United Nations Development Group (UNDG) toolkit

**Where do you find it?**
- Internet: <http://toolkit.undg.org/>
- Public and restricted area, all UN procurement staff can register

**What do you find there?**
- Step by step guidance to support countries planning and implementing changes to improve development impact and increase efficiency
- Guidance, lessons learned and tools derived from the experiences of the eight ‘Delivering as One’ pilot countries, UNCTs and self-starters
- Guidance notes, activity plans and descriptions, templates and sample documents

**When should you go there?**
- Whenever planning or implementing any change to your programmes or operations
- If you are planning to establish common services or to harmonize your business practices with other UN organizations

### D.4 United Nations Global Marketplace (UNGM)

**Where do you find it?**
- Internet: <www.ungm.org>
- Public and restricted area, all UN procurement staff can register

**What do you find there?**
- Databases: Globally available LTAs, registered UN suppliers, procurement notices, awards notices
- Statistical data on UN procurement and other procurement-related publications
- Information from various HLCM PN working groups, e.g., WG Sustainability, WG Professionalization, WG Harmonization

**When should you go there?**
- If you would like to post a procurement notice or award notice or source suppliers
- If you search information on globally available LTAs
- If you are looking for statistical information on UN procurement (e.g., which organization primarily procures which commodity groups) or information and updates on the various working groups of the HLCM Procurement Network

### D.5 Organization-specific websites, including communities of practice

**Where do you find it?**
- Usually in the intranet of your organization, e.g., as an example from UNICEF: SupplyFaces
- Similar resources exist for other organizations

**What do you find there?**
- Primarily information related to only your organization, i.e. usually not geared towards inter-organization information
- Details depend on the nature of the website or community of practice
- Possibly: Updates from your organization HQ, discussion boards, forums, newsletters, information about upcoming events, contact details, etc.

**When should you go there?**
- If you would like to get in touch with common procurement practitioners within the UN system with whom you want to share experiences, lessons learned, good practices, etc., or with whom you would like to discuss your questions on common procurement
<http://www.unscebo.org/content/harmonization>

<http://www.unscebo.org/content/addressing-country-level-bottlenecks-business-practices>


Financial Regulations and Rules from the following WG Harmonization organizations
AfDB, FAO, IFAD, ILO, ITU, PAHO, UN Secretariat, UNDP, UNFPA, UNHCR, UNICEF, UNOPS, UNRWA, WFP, WIPO, WMO

Guidance note on the Business Operations Strategy (BOS)

Templates for Operational Analysis at the Country Level – Baseline, Needs Analysis and Cost Benefit Analysis

Country examples common country operations and BOS

Procurement Manuals from the following WG Harmonization members
AfDB, FAO, IFAD, ILO, ITU, PAHO, UN Secretariat, UNDP, UNFPA, UNHCR, UNICEF, UNOPS, UNRWA, WFP, WHO

Procurement templates from the following WG Harmonization members
CTBTO, FAO, ILO, ITU, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNOPS, UNPD, UNRWA, UNWomen and WFP.
UN General Assembly Resolutions

UN General Assembly’s Comprehensive Policy Reviews of 2004 and 2007
<www.un.org/esa/coordination/tcpr.htm>

UN Procurement Practitioner’s Handbook – November 2006
<https://www.ungm.org/Areas/Public/pph/index.html>

2. Refer to CEB/2010/HLCM-UNDG/1, para. 106, 107, and 114.

3. The previous name of the Guidelines.

4. In September 2011, the HLCM PN recommended that members specify the conditions under which a secondary procurement review may be waived, e.g., when cooperating with other UN organizations through joint solicitation, re-use of another organization’s tender result, organization contract or agreement and procurement from an organization. Please refer to your organization’s procurement manual to see under which conditions a secondary review can be waived.

5. NB: There may be still a sense of ownership by the originator of the tender and the contract management might still reside with UN-A, particularly if UN-A is using the services more significantly than other organizations (often the case for smaller agencies compared with UNDP, for example).

6. In fact, in some cases, an MoU or similar agreement are the most appropriate forms to base this kind of cooperation on. In other cases, a PO or a contract could be sufficient.

7. See Endnote 4.

8. See References section.

9. See References section.

10. Decision taken at the 10th Procurement Network meeting in Rome, 28–30 September 2011.

11. Different models can be envisioned under the umbrella of a common procurement team or a joint procurement unit. Depending on the model, the indicators may differ.

12. Meaning that a majority of the members of the OMT have several years of experience in procurement or a formal education in procurement.

13. See Section 1.1 for a more detailed and general list of benefits of UN cooperation in procurement.

14. This section is largely based on the report ‘UN City Common Services Copenhagen’ from 7 July 2011, which can be obtained from the UN Team Copenhagen (<cs.bidtender@undp.org>, +45 4533 5000).

15. This section and the Source Selection Plan template are based on the United Nations Procurement Manual, Revision 6.01, chapter 11.4. Please note that UN organizations use a number of different terms for the same or similar type of document: Source Selection Plan, Tendering Plan, Acquisition Plan, Procurement Plan and others.