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Report of UNDP, UNFPA and UNOPS on joint procurement activities

Summary

In January 2011, the Copenhagen-based United Nations agencies began assessing opportunities for common procurement initiatives. UNDP, UNFPA and UNOPS agreed that such collaborative efforts would result in more efficient processes, strengthened procurement practices and lower costs for all participating agencies.

Against this backdrop, the agencies launched a joint tender for cargo insurance services in February 2011. The outcome of the new long-term agreement (LTA) was an annual saving of nearly \$2 million for the three organizations (UNFPA, UNDP and UNOPS).

The success of this initiative, as well as others immediately following, affirmed the agencies' commitment to the harmonization project. Since 2011, a range of common procurement projects have taken place, with similarly positive results. Further collaborative efforts are currently in progress and others are being developed, so as to continue to advance collaboration among the United Nations agencies for the benefits of consolidating and standardizing procurement practices within the United Nations system.

This report presents key findings and outcomes from the common procurement work conducted to date, and sets out the current and upcoming initiatives for 2013.

Elements of a decision

The Executive Board may wish to take note of this report and comment on the progress made on joint procurement initiatives.



I. Introduction

1. The Copenhagen-based United Nations agencies began assessing opportunities for common procurement initiatives in January 2011. Similar collaborative procurement agreements also exist at the field level and have been practiced for some time, with savings for all parties involved. The rationale for establishing collaborative procurement relationships within the United Nations system is based on a shared understanding of the benefits of consolidating and standardizing procurement practices. The participating agencies (UNDP, UNFPA and UNOPS) agreed to undertake joint procurement activities in order to:

- (a) Secure, supply, assure delivery and quality and leverage volumes to lower costs for the goods and services they buy;
 - (b) Use inter-agency collaboration in support of respective mandates;
 - (c) Obtain economies of scale through joint purchasing;
 - (d) Reduce administrative costs by avoiding duplication of work;
 - (e) Use an agency, where necessary, to negotiate or manage specific contracts.
2. These procurement relationships often involve service level agreements, multi-agency long-term agreements (LTAs), memorandums of understanding or a LTA established and managed by one agency.
3. Since the inception of the initiative, inter-agency procurement has led to significant savings and a range of other benefits across the United Nations system. As described below, various joint procurement activities are still in progress, with additional projects planned for the calendar year 2013. These initiatives reflect the leadership and participation of UNDP, UNFPA and UNOPS, with their key outcomes highlighted below.

II. Joint procurement activities delivered By United Nations agencies

4. Since February 2011, a range of collaborative procurement projects has been implemented by UNDP, UNFPA and UNOPS. This process was initiated by UNFPA, with a view to establishing a common procurement team in Copenhagen. The three participating agencies agreed to pursue opportunities across a range of sectors and products, and strong results were quickly achieved.

5. The first joint tender was for cargo insurance services (led by UNDP), and a LTA was put in place in 2012. This collaborative project involved UNDP, UNFPA and UNOPS, in addition to the Food and Agricultural Organization of the United Nations (FAO) and the United Nations Children's Fund (UNICEF). The outcome of the LTA was an annual savings of \$1.89 million for UNDP, UNFPA and UNOPS. Via the LTA, the new insurance premium rates are 41 to 77 per cent lower than current rates.

6. Following the success of the common procurement team in Copenhagen, a UNFPA-lead team was established to manage collaborative procurement activities for New York Headquarters (UNDP, UNFPA, UNICEF, United Nations Procurement Division and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). This team has delivered a significant increase in "piggy-backing" (buying using each other's contracts) for Headquarters procurement. For example, UNFPA is piggy-backing on the UNDP LTAs for information technology (IT) equipment and for translation. In addition, UNDP is piggy-backing on UNFPA language training, resulting in direct savings due to an increased number of licenses. In this field, direct savings from all United Nations agencies piggy-backing on UNFPA language training –

compared to the standard rates the supplier would charge the agencies individually – currently totals \$433,000, a saving of 56 per cent. Additional value is derived from the time saved in procurement and legal reviews and through simplified business practices.

7. LTA policies were developed to provide guidance on cooperative procurement among United Nations agencies. These policies allow business units to use another agency's LTA without further review by a Procurement Review Committee (when certain conditions are met, thereby eliminating work duplication and increasing flexibility and speed). LTA policies are now in place at UNDP, UNFPA and UNOPS.

8. A collaborative project between UNDP, UNFPA and UNICEF delivered new medical/death/injury insurance for individual contractors and service contract holders. The estimated savings for UNDP alone total \$6.2 million (62 per cent) over a five-year period.

9. LTAs were established with four sea freight and two air freight companies in 2012. This collaborative project between UNDP, UNFPA, UNICEF and UNOPS (led by UNICEF) resulted in cost avoidance of \$12 million - \$13 million.

10. IT, procurement and legal networks agreed to collaborate on public cloud outsourcing. Twelve United Nations agencies (UNDP, UNFPA, UNICEF, UNOPS and UN-Women, plus the International Organization for Migration, International Telecommunication Union (ITU), Pan American Health Organization (PAHO), the Joint United Nations Programme on HIV/AIDS (UNAIDS), Office of the United Nations High Commissioner for Refugees (UNHCR), World Food Programme (WFP) and World Health Organization (WHO) joined the request for proposal exercise. UNDP is taking a lead role in establishing LTAs for standard public cloud services, specifically Microsoft Office 365 and Google Apps for Business. The estimated savings (annual cost per user) will vary according to the product, but are likely to reach up to 60 per cent. UNDP is coordinating LTA negotiations collectively with the participating agencies.

11. A collaborative project on LTAs for VSAT (satellite communications) was developed by eight United Nations agencies (FAO, UNDP (project leader), UNFPA, UNHCR, UNICEF, United Nations Relief and Works Agency for Palestine Refugees in the Near East, WFP and WHO. Although UNICEF and WFP pursued individual tenders and LTA extensions, the results for participating agencies have been very positive. In UNDP country offices, for example, cost reductions of up to 45 per cent are expected.

12. Under the leadership of UNOPS through UN Web Buy, all participating agencies are now able to benefit from additional catalogue options, including over 200 options for large trucks and buses added this year. LTAs have also been established for solar energy solutions and products – in support of sustainable procurement – and work is underway to add them to UN Web Buy. This work has eliminated duplication by agencies (UNDP, UNFPA and UNOPS) and delivered an opportunity to share savings across the United Nations system.

13. A UNDP/UNFPA collaboration on census/elections was initiated in 2012. A joint tender was issued, and the same suppliers will be supplying to UNDP (elections) and UNFPA (census) as a result of this LTA, leading to significant administrative savings.

14. Adoption of a common e-tendering system (In-Tend) by several United Nations organizations (FAO, PAHO, UNFPA, WFP and the World Intellectual Property Organization (WIPO)) has led to large savings through leverage and global negotiation with the supplier. These agencies now pay one yearly low-cost subscription, regardless of the number of licenses; use one same set of templates; and will see benefits from further system development as other United Nations organizations join and additional In-Tend modules are used.

15. In one of the broadest examples of collaboration to date, the United Nations Supplier Code of Conduct was adopted in 2011. Participating agencies benefitting from this standardization include FAO, the International Fund for Agricultural Development, ITU, UNDP, UNFPA, UNHCR, UNICEF, UNOPS and WIPO.

16. A joint tender for hospital equipment was developed by UNICEF and UNFPA in 2011 and an LTA was subsequently put in place. As a result of these efforts, transactional cost duplication

has been avoided and tenders are now more attractive to vendors in this area, thanks to higher volumes.

17. Alongside the successful launch of these joint procurement activities, policy work led by UNICEF and then UNFPA, under the auspices of the High-level Committee of Management (HLCM) Procurement Network, is supplementing the collaborations already underway and future projects. Phase 1 of the harmonization policy was completed at the end of 2012 and phase 2 will start in the second half of 2013. The main deliverables (to date, through phase 1) have included: a standardized table of contents and common United Nations glossary of procurement-related terms; revised guidelines for common United Nations procurement at the country level; and extensive training materials on inter-agency cooperation. These tools will further facilitate joint procurement and improve the delivery of current and future collaborative projects.

III. Joint procurement activities in progress

18. As of June 2013, several important joint procurement activities are underway. This work builds on the progress made since the 2011 launch of the harmonization project. Evidently, there are opportunities to examine significant areas of United Nations spending (e.g., vehicles), as well as complex, high-risk fields (including vendor sanctions). Standardizing processes in these settings will continue to lower costs for all participating agencies and will improve risk management and transparency across the United Nations system.

19. United Nations agencies currently are working to implement their own vendor sanctions systems, anchored by vendor review committees (VRCs). The VRC, a technical advisory body, provides the chief procurement officer with recommendations on whether a particular vendor should be disbarred or otherwise sanctioned because of its/his/her involvement in proscribed practices (fraud, corruption, collusion, coercion or unethical practices). Copenhagen-based United Nations agencies (UNDP, UNFPA, UNICEF and UNOPS) are assessing options for consolidating vendor sanctions boards and VRCs in Copenhagen. There are efficiencies and quality control advantages to additional inter-agency collaboration on vendor management. During the third quarter of 2013, the agencies will consult with their respective legal departments to assess confidentiality concerns and issues regarding the involvement of United Nations staff in proscribed practices. Further, UNDP, UNICEF and UNOPS are developing terms of reference for vendor sanctions boards and VRCs.

20. Managed by UNOPS, the United Nations Global Marketplace (UNGM), the vendor registration reform project will be finalized in 2013. This will deliver faster vendor registration and a more efficient user approval process, which will decrease administrative costs for participating agencies. Further and in support of the vendor sanctions process, UNGM has been updated so that it can produce a common sanctions list for internal use by all participating United Nations organizations. This will greatly assist agencies in managing eligible vendors as they roll out their vendor sanctions programmes.

21. Motor vehicles, parts and transport equipment represent the sixth largest category of expenditure on goods by United Nations agencies. Under the auspices of HLCM Procurement Network, a project has been launched to examine the \$300 million spent on vehicles across agencies, with 17 agencies represented. The project will identify opportunities for consolidating and standardizing vehicle procurement across the United Nations system. By homogenizing and centralizing the procurement process, participating agencies could save an estimated 10-20 per cent of total costs. Standardization of vehicle type can also reduce future maintenance and service expenses, and enhanced inter-agency transfers (of both vehicles and staff with technical vehicle expertise) are made possible. UNDP is taking a lead role on this project. The goal is to establish an LTA for vehicles for all participating agencies, giving due consideration to sustainability. Phase 1 (data gathering and feasibility assessment) was completed in the second quarter of 2013. Phase 2 of the project (establishing the purchasing framework) will develop the collaborative framework for vehicle procurement, and phase 3 will focus on improving overall fleet management.

IV. Future joint procurement activities

22. In 2013, additional joint procurement projects are planned or are in their nascent stages. These initiatives are frequently centred upon shifting to more sustainable production and consumption practices. Although United Nations agencies address a number of climate change issues across their thematic focus areas, these problems cannot be tackled without a focus on buying products and services that are as sustainable as possible. Effective collaborative procurement, therefore, plays a key role in contributing to sustainable development.

23. In the procurement of certified emission reduction (CER), UNOPS has worked with the United Nations Environment Programme (UNEP) to define a programme to buy carbon emission certificate offsets. All other United Nations agencies (including UNDP, UNFPA and UNICEF) have been invited to join in procuring CER to offset their greenhouse gas emissions. The agencies have until September 2013 to determine their participation. It is expected that this procurement will be completed by the end of 2013.

24. Procurement for the health sector by United Nations agencies represents a sizeable part of the market (\$3 billion in 2012), and the United Nations system's critical mass of procurement in some market segments could help orient the market towards more sustainable practices. Core participants in the Informal Inter-agency Task Team on Sustainable Procurement in the Health Sector are UNDP, UNEP, UNFPA, UNICEF, UNOPS and WHO. This group is focusing on influencing the procurement and supply chain associated with health and chemical products throughout the procurement life cycle. An inter-agency approach has three levels:

- (a) Impact on international standards (e.g., pre-qualification programmes for medical devices and drugs);
- (b) Procurement procedures – mandatory environmental weighting in evaluation;
- (c) Product specifications – including environmental standards, criteria and characteristics.

To date, carbon footprint assessments have taken place (including pilot projects in Montenegro and Tajikistan and organizational strategies for green procurement have been developed. As this project is further developed in 2013, a technical workshop will be an important next step (and is currently scheduled for the third quarter of 2013).

25. Joint procurement for travel and visa services for the Copenhagen-based agencies will be developed and led by UNOPS. The project will leverage the travel spending of the Copenhagen-based agencies to minimize travel costs and improve process efficiency in line with current industry practice. Phase I covers travel agent services and phase II, airline routes. A working group will be formed, consisting of representatives of UNDP, UNFPA, UNICEF, UNOPS and potentially WHO.

26. With similar objectives to improve costs and increase efficiency, UNOPS will lead a joint procurement exercise for office products for the new UN City in Copenhagen. This project is slated to begin in the fourth quarter of 2013.

V. Conclusion

27. Since 2011, collaborative procurement initiatives led by UNDP, UNFPA and UNOPS have delivered significant improvements and savings across the United Nations system. Many of these projects have also eliminated duplication, increased consistency and strengthened country office procurement. As cooperative projects continue throughout 2013, these agencies are increasing their commitment to work together to pursue opportunities across a range of products and sectors. This is based on a shared understanding of the benefits of consolidating and standardizing procurement practices across the United Nations system. The support of all participating agencies has been, and continues to be, invaluable to this endeavour.