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Report of UNDP, UNFPA and UNOPS on joint procurement activities

Summary

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

Since the first report on these projects in 2013, the organizations have derived continuing savings and benefits from their common procurement efforts. Additional initiatives were developed and delivered in 2013, reaffirming the value of the harmonization project and the commitment of the participating organizations. A number of projects are under way in 2014, seeking to consolidate and standardize practices within the United Nations system. As this cooperative work continues over the remainder of 2014, wide-ranging savings and improvements are being realized across a range of products, services and sectors.

This report presents key findings and outcomes from the common procurement work conducted in 2013, and sets out the initiatives under way in 2014.

Elements of a decision

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



I. Introduction

1. Since January 2011, the United Nations organizations based in Copenhagen have been developing and implementing opportunities for common procurement initiatives. 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 such relationships in the United Nations system is based on a shared understanding of the benefits of consolidating and standardizing procurement practices. The participating organizations 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 purchased;
- (b) Use inter-organization collaboration in support of respective mandates;
- (c) Obtain economies of scale through joint purchasing;
- (d) Reduce administrative costs by avoiding duplication of work; and
- (e) Use a particular organization, where appropriate, to negotiate or manage specific

2. The savings obtained from these joint procurement actions directly reduce the costs of the projects. Further, where applicable, the savings are reprogrammed into project work. This will deliver further support to projects as savings continue to be realized.

3. Joint procurement relationships often involve service-level agreements, long-term multi-organization agreements, memorandums of understanding, or a long-term agreement established and managed by one organization. In the coming year, the organizations have agreed to place more emphasis on making long-term agreements the preferred contracting mechanism (unless a specific exception exists).

4. Where procurement projects relate to goods, services or work closely aligned to the mandate of an organization, the procurement process can be improved by assigning lead organization status. These lead organization opportunities will be further developed in the coming year (UNFPA in the area of condoms, for example).

5. Though many large contracts are developed at the headquarters level, there is an increasing emphasis on collaboration at the country level. Country-level joint procurement activities – particularly in over 30 ‘delivering as one’ countries and those with business operations strategies – focus on capacity-building, policy harmonization, advisory services, and tools to facilitate joint processes and to record results. These are discussed in detail in paragraph 36.

6. In October 2013, the High-level Committee on Management Procurement Network submitted a request to the Chief Executives Board to fund a consultancy assignment – as part of the second phase of the harmonization project – for a review of procurement spend across United Nations organizations to identify opportunities for leveraging volume and increase savings and efficiency through joint procurement. While Chief Executives Board was unable to support the activity at that time due to funding constraints, the organizations will continue to advance collaborative procurement as a key priority.

7. In 2013, inter-organization procurement led to significant savings and a range of other benefits across the United Nations system. This work continues (and is expanding) through the joint procurement activities under way in 2014. The initiatives outlined in the following chapter, with their key outcomes highlighted, reflect the leadership and participation of UNDP, UNFPA and UNOPS.

II. Joint procurement activities delivered by United Nations organizations in 2013

8. Inter-organization procurement initiatives delivered far-ranging benefits in 2013. For some of the activities discussed below, a majority of the project work was completed prior to 2013. These projects nevertheless merit ongoing discussion as the work in these areas – and the associated savings – continued in 2013.

9. Twelve United Nations organizations – UNDP, UNFPA, UNOPS, the International Organization for Migration (IOM), the International Telecommunication Union (ITU), the Pan-American Health Organization (PAHO), UNAIDS, the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children’s Fund (UNICEF), UN-Women, the World Food Programme (WFP) and the World Health Organization (WHO) – agreed to collaborate on ‘public cloud’ outsourcing. UNDP led the establishment of long-term agreements for standard public cloud services, namely, Microsoft Office 365 and Google Apps for Business. The expected savings (annual cost per user) will vary according to the product, but are likely to reach 40-60 per cent.

10. Eight United Nations organizations – UNDP (project leader), UNFPA, UNHCR, UNICEF, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the Food and Agriculture Organization (FAO), WFP and WHO – developed a collaborative project on long-term agreements for ‘very small aperture terminal’, or ‘VSAT’, satellite communications. Cost reductions of up to 45 per cent are projected for UNDP country offices.

11. A UNFPA-led team was established in 2012 to manage collaborative procurement activities for New York headquarters (UNDP, UNFPA, UNICEF, the United Nations Procurement Division, and UN-Women). The team has delivered a significant increase in ‘piggybacking’ (buying or using each other’s contracts) for headquarters procurement. Direct savings from all United Nations organizations ‘piggybacking’ on UNFPA language training, for example, amounted to \$483,000.

12. A collaborative project between UNDP, UNFPA and UNICEF delivered new medical, death and injury insurance for individual contractors and service contract holders. Estimated annual savings are \$1.2 million (representing an approximate discount of 62 per cent).

13. A joint tender for hospital equipment was developed by UNICEF and UNFPA and a long-term agreement was subsequently put in place. As a result, transactional cost duplication has been eliminated and tenders are more attractive to vendors in this area, thanks to higher volumes.

14. A UNFPA-led team was established in 2011 to manage collaborative procurement activities for Copenhagen (UNDP, UNFPA, UNOPS and UNICEF). The first outcome was the establishment of a long-term agreement for cargo insurance services. This collaborative project involved UNDP (the lead organization), UNFPA and UNOPS, as well as FAO and UNICEF. The agreement delivered \$1.89 million annual savings for UNDP, UNFPA and UNOPS in 2013, and continues to deliver savings through lower premium rates (41-77 per cent below previous rates).

15. Under the leadership of UNOPS, through United Nations Web Buy, all participating organizations (UNDP, UNFPA and UNOPS) are able to benefit from additional catalogue options for vehicles, including over 200 types of trucks and buses, solar energy products, and a new line of energy-efficient hybrid generators. This work has eliminated duplication among the organizations and delivered savings in the order of \$25 million through the use of Web Buy and piggybacking of long-term agreements).

16. A **UNDP/UNFPA** collaboration on censuses and elections initiated a joint tender that resulted in a long-term agreement. Through the agreement, the same suppliers are able to supply to UNDP (elections) and UNFPA (censuses), increasing efficiency, reducing duplication, and achieving significant administrative savings.

17. Long-term agreements have been established with four sea freight and two air freight companies. This collaborative project between UNDP, UNFPA, UNICEF and UNOPS (led by UNICEF) delivers an annual saving of \$12 million.

18. The United Nations Supplier Code of Conduct was adopted in 2011. Participating organizations from 2013 onward include FAO, the International Fund for Agricultural Development (IFAD), ITU, UNDP, UNFPA, UNHCR, UNICEF UNOPS, and the World Intellectual Property Organization. The code reaffirms United Nations standards and best practice.

19. A number of organizations, including UNDP, UNICEF and UNOPS, have implemented the United Nations model framework for vendor sanctions, delivering a standardized approach to vendor risk management.

20. Managed by UNOPS, the United Nations Global Marketplace vendor registration reform project was delivered under budget and two weeks early. The project has delivered faster vendor registration, stronger risk management, greater transparency, and a more efficient user and vendor experience. This includes expanded search capabilities to assist procurement officers in finding information on long-term agreements, specifications, awards, the eligibility status of vendors, and other shared knowledge.

III. Joint procurement activities in progress in 2014

21. For certified emission reduction joint procurement, UNOPS worked with the United Nations Environment Programme (UNEP) to establish a programme for buying carbon emission offsets. With an estimated annual value of \$50,000, this project will reduce costs by avoiding duplication, thus assuring supply. For eligible projects in 2012-2013, average costs decreased by 45 per cent (the average price per unit in 2012 was €2.0, while in 2013 it was €1.09).

22. UNOPS is leading a joint procurement project for travel and visa services. This will leverage the travel spending of the Copenhagen-based organizations to minimize travel costs and improve process efficiency. Phase I covers travel agent services and phase II will address airline routes. UNOPS, UNDP, UNFPA, UNICEF and WHO are participating in this \$15 million project.

23. With similar objectives to improve costs and increase efficiency, UNOPS is leading a joint procurement exercise for office products for the new United Nations City in Copenhagen. With the long-term agreements created by UNOPS on behalf of the Copenhagen-based organizations (UNDP, UNFPA, UNICEF, UNOPS, and WHO), annual savings are expected to be in the order of \$88,000.

24. The Treasury Community of Practice network includes over 20 United Nations organizations and focuses on treasury harmonization projects in banking, foreign exchange, investments and payments. A number of these projects are expected to deliver significant benefits at the programme country level as they are further developed in 2014, including:

- (a) The Banking Harmonization project, which will provide a standardized Global Template to eliminate extended bilateral negotiations across the United Nations system saving time and simplifying the process of opening accounts in country offices; and

(b) The Field Forex Survey, which promotes higher real savings on conversions. A slight improvement in margin on a higher-volume currency translates into substantial savings. It is estimated that if all United Nations organizations transacted at the higher of the headquarters or programme country rate, they could realize annual savings of up to \$5 million.

25. The UNDP-led Inter-Agency Task Team on Sustainable Procurement in Health Care is focused on influencing the supply chain associated with health and chemical products for the duration of the procurement life cycle. The project is designed to: set standards (such as pre-qualification programmes for medical devices and drugs); develop environmental criteria for specifications and evaluation; and serve as a mechanism for influence and advocacy in the market. 'Carbon footprint' assessments have been conducted (including pilot projects in Montenegro and Tajikistan) and organizational strategies for green procurement have been developed.

26. A 17-organization project, led by UNDP, is identifying opportunities for consolidating and standardizing vehicle procurement across the United Nations system. Though savings have already been achieved through existing long-term agreements, this project is designed to include additional United Nations organizations and leverage the total volume on core equipment. By homogenizing and centralizing the procurement process, participating organizations could save an estimated 10-20 per cent of total costs. The project allows for standardization of vehicle type, which could reduce future maintenance and service expenses, and improved inter-organization transfers of both vehicles and staff with technical expertise. Phase I delivered a data-gathering and feasibility assessment, and phase II established a collaborative purchasing framework. Phase III will focus on improving overall fleet management.

27. Through Web Buy, UNOPS is leading a project to expand product offerings and catalogues. New products will include earth moving equipment, material handling equipment, agricultural equipment, and generators (including hybrids).

28. A joint tender, led by UN-Women, is being developed for the New York company Event Management for Hotels and Catering Services. The participating organizations, which include UNDP and UNFPA, are working to develop joint terms of reference for the project, with results expected to include reduced duplication, improved efficiency and increased competition.

29. UNFPA, UNICEF, UNOPS, UNPD and WFP have developed an RFP for the Supply of Third Party Administration of HIV-Specific Insurance (related to the pilot project, 'Ensuring Access to HIV Care in the United Nations System Workplace.') The project will improve transparency and reduce overall costs, and is currently in the technical evaluation stage.

30. UNFPA is leading a project to increase awareness of upcoming tenders by sharing the expected annual tender schedule with United Nations organizations (UNDP, UNICEF, the United Nations Procurement Division, UN-Women and PAHO are participating) through the Global Marketplace system facility. This will improve product standardization, accelerate the procurement process, and strengthen vendor risk management practices.

31. A joint 'spend analysis' is being conducted in Copenhagen to identify four key service and product categories of 'high spend', which these could then be procured jointly among participating organizations (presently UNDP, UNFPA, UNICEF, UNOPS, and WHO). This tendering will be included in the work plan of each organization for 2014, with the goal of reducing costs and duplication in these key 'spend' categories.

32. Several organizations are collaborating on a cross-section of health-related common long-term agreements. Invitations to bid are under way for the following categories:

(a) Pharmaceuticals (PAHO, UNDP, UNFPA and UNOPS);

- (b) Hospital (medical) furniture (UNDP, UNFPA, UNICEF and UNOPS);
- (c) Medical devices (UNDP, UNFPA and UNOPS); and
- (d) Vacuum extractors (UNFPA and UNICEF).

33. UNOPS is conducting a joint tendering exercise for the provision of professional technical labour services in high-risk areas of operation. The estimated \$13 million-per-year project will improve oversight, reduce duplication, and strengthen consistency in the services provided.

34. Supported by 21 United Nations organizations, UNFPA is leading a renegotiation of Rosetta Stone computer-based language learning courses. The objective is to revise the pricing scheme and include support services in the associated rates. In 2014, this has yielded \$79,000 in savings to date (not including cost avoidances), in addition to the \$483,000 in savings achieved in 2013.

35. UNDP and UNFPA are collaborating on joint contract review committee initiatives. UNDP will expand its newly developed online contract review committee tool to UNFPA, and the two organizations are finalizing a corporate service-level agreement to make it available to all UNFPA country offices. ‘Webinars’ have been conducted for two UNFPA pilot countries – Afghanistan and Burkina Faso – with positive results. Expected benefits include cost savings and increased visibility for UNFPA operations at the country level (procurement information for management purposes can be extracted from the system).

36. Phase II of the Harmonization Project, led by UNFPA, focuses on several key areas of collaboration, including promoting the implementation of procurement guidelines at the country level, revising the *Procurement Practitioner’s Handbook*, and assessing the feasibility of harmonizing standard procurement documents. Interim results include:

(a) Capacity building initiatives:

(i) Two capacity building workshops have been conducted in Rome and Copenhagen (concluded by April 2014) with participants from various headquarters and programme country duty stations, including Copenhagen, Geneva, Rome, Afghanistan, Brazil, Mozambique, Namibia, Tanzania, Togo, and Turkey. Duty station-specific work plans have been developed or in development, and these will guide the implementation of procurement collaboration, as well as the monitoring and evaluation of results.

(ii) At least another two workshops will be conducted in Addis Ababa and Bangkok to cover duty stations from Africa and Asia Pacific. A further 12 duty stations are expected to be trained and supported in their collaborative procurement initiatives.

(iii) Common procurement experts will be generated from the training and included in a roster. This will then be accessible by any duty station requiring support.

(iv) The project is also developing an e-course on procurement harmonization to build capacity on a larger scale.

(b) Harmonization initiatives:

(i) The project continues to promote sharing of long-term agreements among United Nations organizations, aimed at promoting long-term agreement sharing on the Global Marketplace platform; standardizing and simplifying the means of sharing long-term agreements among organizations; and improving value for money and supplier performance through joint long-term agreement management.

(ii) The guidelines on harmonized procurement will be updated to add: 1) HQ duty stations and HQ procurement offices into the framework of collaboration; and 2) successful stories from field implementation.

(iii) The feasibility assessment of harmonizing key procurement documents will be completed in 2014. Preliminary results indicate that harmonizing these documents

across organizations is feasible, beneficial, and will bring the United Nations another step closer to harmonized, efficient procurement on a larger scale.

(c) Monitoring and evaluation:

A monitoring and evaluation framework and related tools have been developed. They are currently in a pilot phase to assess how they can best support implementation of procurement collaboration at duty stations, and how they can be used to record and report savings and other results (qualitative and quantitative).

37. With a focus on over 30 ‘delivering as one’ countries that have business operations strategies, phase II of the harmonization project has also delivered notable savings and improvements at the duty stations identified in the table below:

Duty station	Organizations involved	Items involved	Estimated annual saving, including cost avoidance and savings on goods and services purchased	Comments	Supportive intervention from harmonization project and HLCM procurement network
Ethiopia	All local organizations with lead organizations UNECA, UNHCR, UNICEF, UNOPS, UNRCO, WFP, WHO	6 common categories, including uniform, printing services, IT equipment, vehicle maintenance, cleaning services, hotel and conference services	\$3.98 million	Based on the Ethiopia BOS work plan, 2013-2015	Capacity-building, policy harmonization, advisory, tools to facilitate joint processes and record results.
Brazil	UNAIDS, UNDP, UNEP, UNESCO, UNFPA, UNOPS, and UN-Women; more organizations are expected to join along the JOF implementation process (FAO, PAHO, UNICEF and WFP)	3 main common categories: consultancy services, conference services, printing and publishing services	\$835,000	Based on the Brazil JOF advisory report, 2014	
Rwanda	UNDP, UNECA, UNFPA, UNICEF, UN-Women, WFP, WHO	Hotel services, printing services, fuel, travel services, audit services, translation services	\$408,500	Based on the Rwanda BOS work plan, 2013-2018	
Tanzania	FAO, IFAD, ILO, IOM, UNAIDS, UNDP, UNESCO, UNEP, UNFPA, UNHCR, UNICEF, UNIDO, UN-Women, WHO	Not specified	\$533,000	Based on Tanzania BOS work plan, 2013-2015	
Malawi	FAO, ILO, UNAIDS, UNDP, UNFPA, UNHCR, UNICEF, UN-Women, WHO	Hotel and conference services, ICT, banking services, security services	\$200,000	Based on Malawi BOS work plan, 2013-2016	

HLCM = High-level Committee on Management; UNECA = United Nations Economic Commission for Africa; RCO = Resident Coordinator's office; BOS = business operations strategy; JOF = Joint Operations Facility; UNESCO = United Nations Educational, Scientific and Cultural Organization; UNIDO = United Nations Industrial Development Organization; ILO = International Labour Organization; IOM = International Organization for Migration

IV. Conclusion

38. 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 2014, these organizations 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 organizations has been, and continues to be, invaluable
