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Review of Long-Term Agreements in Procurement in United Nations Organizations (JIU/REP/2013/1)

1. This JIU Report is accompanied by brief comments from the Director-General and more extensive comments from the UN system Chief Executive Board (CEB) for Coordination (A/69/73/Add.1).

Comments from the Director-General of FAO

2. FAO endorses the general approach set out in the JIU report, as well as the CEB comments on the “Review of long-term agreements in procurement in the United Nations System”. FAO’s Manual Section on “Procurement of Goods, Works and Services” and the Organization’s existing guidelines on contract management have been quoted by the JIU as an example of good practice for long-term agreement policy and procedure. The language on UN collaborative procurement which the HLCM Procurement Network has recommended be included in all UN procurement manuals to facilitate such activities was initially developed by FAO and introduced in its Manual Section 502 in 2010.

3. FAO notes the five substantive recommendations contained in the report and strongly supports the CEB comments. Recommendations 1 and 3 are current practice within FAO. FAO actively uses the United Nations Global Market Place (UNGM) LTA data collection facility to publish information. Recommendation 2 is noted and consideration is being given to developing additional guidance on LTA management which will represent an appropriate balance between costs and benefits. With regard to Recommendation 4, FAO is already a very active participant of the HLCM Procurement Network and the Harmonization Working Group.

4. FAO has been and continues to be strong proponent of using, when justified by business needs and best value for money, LTAs concluded by other UN agencies. FAO is in agreement with the comments of the CEB regarding efforts to harmonize contract terms and conditions and notes that differences in contractual terms and conditions do not unduly hamper joint procurement activities. FAO is of the opinion that increased collaboration may be encouraged and facilitated without fully harmonized terms and conditions and documentation.

5. With respect to Recommendation 5, FAO acknowledges the strategic role that well managed procurement does play in delivering the FAO’s Strategic Objectives and supports the Report’s recommendation that procurement activities, including long-term agreements, are carried out based on sound procurement plans and strategies. The Manual Section is currently under review and guidance on procurement planning, the establishment of LTAs and contract management will be enhanced.

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Review of long-term agreements in procurement in the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit entitled “Review of long-term agreements in procurement in the United Nations system” (JIU/REP/2013/1).



Summary

The report of the Joint Inspection Unit entitled “Review of long-term agreements in procurement in the United Nations system” (see [A/69/73](#)) provides an overview of the existing policies and practices in the use of long-term agreements in procurement in United Nations system organizations.

The present note reflects the views of organizations of the United Nations system on the recommendations provided in the report. The views have been consolidated on the basis of inputs provided by member organizations of the United Nations System Chief Executives Board for Coordination, which welcomed the report and supported some of its conclusions.

I. Introduction

1. In its report entitled “Review of long-term agreements in procurement in the United Nations system” (see [A/69/73](#)), the Joint Inspection Unit assessed the existing policies and practices in the use of long-term agreements in procurement in United Nations system organizations and evaluated the relevance, efficiency and effectiveness of those instruments. The Unit found that long-term agreements contributed to the efficiency and effectiveness of procurement processes, while identifying potential risks in current practices that could result in less efficient and effective procurement.

II. General comments

2. United Nations system organizations welcomed the report of the Joint Inspection Unit on long-term agreements in the United Nations system. The organizations found it informative, with many entities generally supportive of the analysis and conclusions contained therein, and provided comments in several areas.

3. Organizations supported the Joint Inspection Unit’s assessment that, in the United Nations system, procurement was generally viewed as a transactional, back-office function instead of a strategic one, and that moving procurement to a more strategic footing would assist organizations in achieving their objectives.

4. Organizations agreed that the issue of sharing long-term agreements among United Nations system entities should remain a key focus of United Nations system procurement harmonization activities, although they noted that the use of long-term agreements in the United Nations system was, to some extent, already efficient and effective, with variations in specifications between organizations possibly being the single biggest limiting factor. Common specifications, organizations suggested, would allow for greater volume leveraging and best value for money through demand aggregation across the United Nations system. Organizations also agreed with the Joint Inspection Unit’s assessment that the Procurement Network of the High-level Committee on Management should be supported to play a greater and more effective role in harmonization and collaborative procurement.

5. One agency suggested that the United Nations system might wish to consider implementing targeted procurement for some commodities intended for joint long-term agreements. Such an approach would elevate purchasing from the cost-attracting routine of order placement to a level of planned activity that concentrates resources on those areas that add value to the procurement process through the adoption of differentiation in procurement techniques.

6. United Nations system organizations suggested that the deployment of appropriate information technology solutions to the management of long-term agreements presented new opportunities to break down traditional organizational barriers in the United Nations and simplify processes, improve productivity and increase efficiency. Examples include systems that allow access to suppliers’ catalogues and inventory data, as well as ordering, payment, tracking, inventory management and other benefits.

7. Organizations supported the development of requisitioner training programmes. A number of entities indicated that, although paragraph 73 of the

report described contract management as a shared responsibility of the procurement and requisitioner departments, the burden for contract management should clearly rest with the requisitioner.

III. Specific comments on recommendations

Recommendation 1

Executive heads should develop specific procurement policies and guidelines for the strategic use of long-term agreements by their organizations. These should aim to clarify the purpose, advantages, disadvantages, possible strategies, main elements, and types of long-term agreements, and when and how to establish them.

8. Agencies supported the Joint Inspection Unit's call for the development of specific policies and guidelines for the strategic use of long-term agreements, as described in recommendation 1.

Recommendation 2

Executive heads should implement a policy to ensure that for every long-term agreement a contract management plan is developed that clearly defines the contract work breakdown structure, roles and responsibilities of all parties involved, and control and accountability mechanisms. Detailed guidelines, methods and tools (including appropriate clauses and contractual mechanisms) must be provided to the contract managers.

9. While agencies generally supported the concepts presented in recommendation 2, namely calling for executive heads to ensure that contract management plans are in place for long-term agreements, some agencies indicated that not all issues had been fully taken into account in the report. For example, agencies noted that contract management was important not only for long-term agreements but for all kinds of contracts. Furthermore, some of the measures mentioned in the report required resources that might not be available, especially in the case of smaller organizations, and the net benefits/losses between resource expenses (staff or software) and cost savings (through better contract monitoring) might not justify sophisticated contract management. Agencies also emphasized that "contract management" was the responsibility of the requisitioner and/or end user, while the procurement organization was responsible for contract administration, although many procurement departments assisted in that area through training and other services.

Recommendation 3

Executive heads should proactively pursue collaborative long-term agreement opportunities through various methods, including establishing/improving policies and guidelines to facilitate collaboration, circulating long-term agreement tenders which could be of interest to other organizations, listing their organization's long-term agreements on the United Nations Global Marketplace, and seeking up-to-date information on available long-term agreements in the United Nations system.

10. Many agencies indicated their support for recommendation 3, which calls for executive heads to pursue long-term agreement opportunities. In some cases,

agencies have implemented changes to existing policies that allow for the use of long-term agreements negotiated by other agencies. However, it should be noted that the General Assembly has not rendered a formal decision concerning the lead organization concept, and therefore the United Nations Secretariat is limited in its ability to pursue collaboration apart from making its systems contracts available to other United Nations organizations.

Recommendation 4

The executive heads of the organizations should support the advancement of the work of the Procurement Network of the High-level Committee on Management on the harmonization of procurement documents, collaborative use of long-term agreements, and joint procurement of vehicles. They should also facilitate the work of the Legal Network to expedite their efforts towards harmonizing the general terms and conditions of contracts.

11. Agencies concurred with the recommendation that calls for executive heads to support the efforts of the Procurement Network as it proceeds with the harmonization of procurement documents and other areas. However, several agencies expressed concerns regarding the emphasis on the harmonization of general terms and conditions. The experience of some agencies with collaborative procurement indicates that differences in the general terms and conditions do not unduly hamper joint procurement activities, and the resources, time and effort required to obtain harmonized general terms and conditions may be better spent identifying areas of increased collaboration even in the absence of harmonized documents.

Recommendation 5

The legislative/governing bodies should exercise their oversight role on the procurement function and procurement activities with a view to ensuring that the procurement function adequately fulfils its strategic role and that procurement activities, including long-term agreements, are carried out based on sound procurement plans and strategies.

12. While the Joint Inspection Unit directed recommendation 5 at legislative bodies, agencies agreed that procurement was increasingly being recognized as part of the range of strategic business management functions, and noted significant progress in recent years on improving procurement rules, policies and procedures to harmonizing practices across United Nations organizations.

**REVIEW OF LONG-TERM AGREEMENTS IN
PROCUREMENT IN THE UNITED NATIONS SYSTEM**

Prepared by

Cihan Terzi

Jorge Flores Callejas

Joint Inspection Unit

Geneva 2013



United Nations

EXECUTIVE SUMMARY

Review of long-term agreements in procurement in the United Nations system JIU/REP/2013/1

The objective of the present review was to evaluate the relevance, efficiency and effectiveness of the use of long-term agreements (LTAs) in the United Nations system. The review covered a variety of issues regarding LTAs, including the assessment of existing policies, practices and statistical data, types of LTAs, their advantages and disadvantages, available guidelines and strategies applied, the level of collaboration through LTAs among United Nations organizations, and good practices and lessons learned.

Main findings and conclusions

Overall the review found evidence to suggest that the use of LTAs in the United Nations system was relevant and, to some extent, efficient and effective. The Inspectors collected numerous examples of monetary and non-monetary benefits of LTAs being realized by different United Nations organizations. Most prevalent were examples of how LTAs created administrative efficiencies for goods and services required on a regular basis by consolidating recurrent procurements into a single one. In addition, they allowed opportunities for greater volume leverage and best value for money through demand aggregation across each organization and the United Nations system.

However, the Inspectors identified several potential risks associated with policies and practices in the use of LTAs which could erode the potential benefits. Many organizations lack LTA-specific policies, adequate procurement planning, strategy development, contract management, and monitoring and data collection capabilities. The inability of organizations to strategically establish and manage LTAs, and monitor and assess their outcomes, could reduce their capacity to fully realize the potential benefits of these contracts.

LTAs are usually established for multiple years for goods and services that will be purchased repeatedly over the life of the contract. Due to their relatively long duration and demand aggregation these contracts have a significant monetary value which entails higher risks. Therefore the use of LTAs should be planned and strategized as a whole process, which includes managing the procurement process, aggregating demand, conducting market analysis, reaching out to a greater pool of available vendors, ensuring effective competition, assessing and managing risks and effectively managing the contracts. Every LTA should have a contract management plan which clearly defines the contract work breakdown structure, roles and responsibilities of all parties involved, and control and accountability mechanisms.

Benefits are not guaranteed by simply establishing an LTA, and not all benefits are harnessed by each LTA. Unless the establishment and use of LTAs were made based on proper LTA policies, procurement spend analysis, cost-benefit assessment, risk management and careful procurement planning and strategy development, there was the possibility of missed opportunities, inefficiencies or misuse of LTAs. Proper planning, strategy development and contract management ensured the efficiency and effectiveness of LTAs. It also enabled United Nations organizations to identify opportunities for collaboration through joint LTAs, piggy-backing and information sharing. Collaboration across the United Nations system through LTAs served to reduce duplication, and increase volume leverage and synergies, thereby further enhancing efficiency and effectiveness in the use of LTAs.

The Inspectors noted that, in the United Nations system, procurement was generally viewed as a transactional, back-office function instead of a strategic one. Yet, given the importance and

amount spent on procurement in the United Nations system (US\$ 14.3 billion in 2011), making procurement more strategic could better assist organizations in achieving their objectives.

Indeed, procurement is one of the most important and visible tools for organizations to use in the achievement of their strategic objectives. Therefore it should be an integral part of overall corporate planning and strategy development. Towards this end, the procurement functions of the organizations need to evolve from a transactional and reactive administrative function to a proactive strategic function, with adequate capability for spend analysis, procurement planning, strategy development, contract management and implementation monitoring. This would create an enabling environment for optimum efficiency and effectiveness for all procurement activities, including the use of LTAs.

The Inspectors concluded that inter-agency collaboration through LTAs could provide improved efficiency throughout the system. The review found that among multi-organization or system-wide collaboration modalities, joint procurement was the most advantageous. It allowed organizations to aggregate demand system-wide and use greater volume leverage to achieve better prices and terms and conditions. The report identified good examples of joint procurement activities in some locations.

The review indicated that system-wide collaborative procurement efforts were on the rise but were far from using the full potential of the system. Only some organizations included detailed provisions in their procurement regulations to facilitate collaboration with other organizations. In order to increase procurement collaboration in the system, organizations should integrate collaboration-specific provisions into their procurement regulations, and harmonize their procurement policies and documents, including general terms and conditions of contracts. Over the years the Procurement Network of the High-level Committee on Management had initiated several projects to facilitate harmonization and collaborative procurement. The Procurement Network should be supported to play a greater and more effective role in harmonization and collaborative procurement.

The Inspectors conclude that procurement, as one of the highest expenditure items, and as a strategic tool which contributes towards the achievement of organizational goals, requires the close oversight of legislative/governing bodies. It is imperative that legislative/governing bodies, as the main stakeholders of the organizations, should exercise their oversight role on these issues with a view to ensuring a more strategic procurement function with sufficient capacity, and sound plans and strategies to carry out procurement activities efficiently and effectively. To this end, executive heads should periodically report to legislative/governing bodies on the procurement function and procurement activities, including procurement planning and strategies.

The Joint Inspection Unit (JIU) produced two procurement-related notes in the past five years: “Procurement reforms in the United Nations system” (JIU/NOTE/2011/1) and “Corporate consultancies in United Nations system organizations” (JIU/NOTE/2008/4). The findings of the present report corroborate and complement those of the previous notes. Both notes included the various aspects of procurement issues and contained recommendations for improvement. The Inspectors believe that United Nations organizations implementing the recommendations contained in the two previous JIU notes and in the present report will greatly enhance the relevance, efficiency and effectiveness of procurement across the United Nations system.

The present report includes five recommendations in total. Four are addressed to the executive heads of the organizations. Recommendation 5 is addressed to the legislative/governing bodies of the organizations, as follows:

Recommendation to legislative/governing bodies

Recommendation 5

The legislative/governing bodies should exercise their oversight role on the procurement function and procurement activities with a view to ensuring that the procurement function adequately fulfils its strategic role and that procurement activities, including LTAs, are carried out based on sound procurement plans and strategies.

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ABBREVIATIONS

CPAG	Common Procurement Activities Group
CPT	common procurement team
DFS	Department of Field Support
EC	European Commission
ERP	enterprise resource planning
FAO	Food and Agriculture Organization of the United Nations
FWC	framework contracts
GTC	general terms and conditions of contract
HLCM	High-level Committee on Management
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ILO	International Labour Organization
IMO	International Maritime Organization
IT	information technology
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
LTA	long-term agreement
NTE	not-to-exceed
PAHO	Pan American Health Organization
PO	participating organizations
SLA	service level agreements
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNGM	United Nations Global Marketplace
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNWTO	United Nations World Tourism Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. INTRODUCTION

Objective

1. As part of its programme of work for 2012, the Joint Inspection Unit (JIU) conducted, from May to November 2012, a review of long-term agreements (LTAs) in procurement in the United Nations system. The objective of this review was to evaluate the relevance, efficiency and effectiveness of the use of LTAs in the United Nations system.
2. The review built on previous procurement-related JIU notes, notably on procurement reforms in the United Nations system (JIU/NOTE/2011/1)¹ and on corporate consultancies in United Nations system organizations (JIU/NOTE/2008/4).²

Scope and methodology

3. The scope of the review was system-wide, covering all JIU participating organizations (POs). The review covered a variety of issues regarding the use of LTAs, including the assessment of available LTA statistics, types of LTAs, their advantages and disadvantages, existing guidelines, strategies and processes applied, the level of collaboration through LTAs among United Nations organizations, and good practices and lessons learned. Other organizations, such as the European Commission (EC), the Organisation for Economic Co-operation and Development, the World Bank and the Pan American Health Organization (PAHO) were consulted as comparators for lessons learned and potential good practices.
4. In accordance with the JIU standards and guidelines, norms and standards for evaluation, and internal working procedures, the methodology followed in preparing the present report included the collection of documentary, testimonial, observational and analytical evidence and triangulation of the data collected. A mix of quantitative and qualitative data collection methods were used, including desk reviews, questionnaires, interviews and checklists. For more details on the evaluation methodology, please see annex I.
5. The target audience for this report are the POs and their legislative/governing bodies. The report contains five recommendations: four to the executive heads of participating organizations and one to the legislative/governing bodies.
6. To facilitate the handling of the report, and the implementation and monitoring of its recommendations, annex IV shows, for each participating organization, whether the recommendations are for action or for information, and whether they are targeted to legislative/governing bodies or executive heads.

Report finalization

7. In accordance with article 11, paragraph 2, of the JIU statute, the present report has been finalized after consultation among the inspectors and testing of its conclusions and recommendations against the collective wisdom of the Unit. Comments from the POs on the draft report have been sought and taken into account in finalizing the report.
8. The Inspectors wish to express their appreciation to all who assisted them in the preparation of this report, and particularly to those who participated in the interviews and so willingly shared their knowledge and expertise.

¹ Available from https://www.unjiu.org/en/reports-notes/JIU%20Products/JIU_NOTE_2011_1.pdf.

² Available from https://www.unjiu.org/en/reports-notes/archive/JIU_NOTE_2008_4_English.pdf.

II. OVERVIEW OF LONG-TERM AGREEMENTS IN THE UNITED NATIONS SYSTEM

A. DEFINITION OF LONG-TERM AGREEMENTS

9. Organizations of the United Nations system use different terminology for LTAs (such as framework agreements, system contracts, indefinite quantity agreements, general service agreements, institutional or corporate contract agreements, standing offers and blanket purchase agreements) and define them slightly differently. Nonetheless, certain elements of their LTAs were common across the system. United Nations organizations' LTAs were:

- For the repeated purchase of particular goods or services;
- Valid for a specific period of time (usually more than one year) and extendable;
- To secure the supply of goods or services over a fixed period under certain terms and conditions (for example, lower price and technical specifications); and
- Non-binding and non-exclusive, placing the organization under no obligation to use the LTA or purchase a certain amount (unless the contract guaranteed a minimum order).

10. In general, long-term agreements can be described as follows:

An agreement/contract with a framework of terms and conditions, valid for a specified time period (usually more than one year), which is concluded between one or more United Nations system organizations and one or more suppliers on a non-exclusive basis for the repeated purchase of specified goods or services.

B. ADVANTAGES AND DISADVANTAGES OF LONG-TERM AGREEMENTS

11. The Inspectors identified from the questionnaire responses and interviews several advantages and disadvantages of LTAs for the United Nations system.

Table 1: Advantages and disadvantages of long-term agreements

Advantages	Disadvantages and risks
LTAs provided volume leverage. Demand for goods and services for which there was significant and recurrent demand over a relatively longer period of time could be estimated and consolidated to obtain large volume discounts.	Because of their long-term nature, LTAs could cease to offer "best value for money"; for example, during the lifetime of an LTA, new economic agents and/or new solutions could enter the market, and there could be technological improvements and/or falling prices, thereby undermining the benefits offered by the LTA.
LTAs reduced administrative costs. There was one consolidated procurement exercise instead of many as and when needed. Order processes were streamlined (purchase orders were placed directly against the LTA by the requisitioners) and the acquisition time reduced.	LTAs could encourage monopolistic behaviour or collusion among suppliers to lock United Nations organizations into long-term contracts offering uncompetitive prices and a diminishing quality of service.
When the performance of the supplier was satisfactory, LTAs could be extended (usually for one or two more years), further reducing administrative costs.	Dependency on one single supplier could result in missed opportunities elsewhere in the market and increased counter-party risk (that is, if the single supplier becomes bankrupt or fails to deliver).
A fixed price guaranteed over a certain period was advantageous in volatile markets. It allowed organizations to plan better and to predict costs.	The relatively longer duration of LTAs coupled with their high value could aggravate risks, including the lack of proper negotiation, which would result in terms and

Advantages	Disadvantages and risks
	conditions that did not best meet the needs of organizations.
LTAs were flexible: non-binding and non-exclusive. Not having to determine exact quantities and the timing of purchase in the contract added to the flexibility. ³	The lack of proper policy and procedures and insufficient monitoring in the establishment and use of LTAs could lead to a proliferation of LTAs with no or little added value and a risk of discretionary and improper use of them to the detriment of organizations.
LTAs helped to standardize products, ensuring that required quality/technical standards were met across the organization. ⁴	The inherent assumption that LTAs continue to provide good value for many years could lead to lack of monitoring of the market conditions and new opportunities, which would result in inefficiencies in the use of LTAs.
LTAs often fostered longer and better working relationships with suppliers and enabled them to plan better. It resulted in a more effective and efficient model for delivering solutions to the organization with significant advantages for all involved.	The lack of good LTA planning, including insufficient standardization and demand aggregation, could lead to suboptimal use of LTAs.

C. UNITED NATIONS ORGANIZATIONS' POLICIES ON LONG-TERM AGREEMENTS

12. Sixty-seven per cent of organizations responding to the questionnaire said that they had developed a policy and/or strategy for the use of LTAs in their organization. This usually took the form of a subsection in the organization's procurement manual, but could also be separate guidance documents or administrative instructions. The Inspectors, however, found that overall the organizations' policy documents lacked detailed instruction to truly maximize the relevance, efficiency and effectiveness of LTAs.

13. The procurement manuals clearly set out the organizations' procurement principles and gave extensive guidance on the transactional and procedural aspects of procurement. However, they paid less attention to the strategic aspects of procurement, the importance of procurement planning, contract management and collaboration with other United Nations organizations. These issues are discussed in greater detail in subsequent sections of the present report.

Good examples of long-term agreement policies

United Nations Children's Fund

In addition to describing types of LTAs and their advantages and disadvantages, the UNICEF procurement policies discussed how using multiple LTAs could ensure greater security of supply, maintain suppliers' interest and enable UNICEF to split an arrangement between different suppliers based on geographical, cost or other local circumstances. Guidance was also given on how to establish an LTA and/or joint LTAs, and on the roles and responsibilities of parties involved. There was a formal requirement for a monitoring and review system to be put in place for each LTA which tracked spend, quantities ordered, supplier performance and customer satisfaction.⁵

³ Some organizations found the possibility of providing minimum guaranteed quantities gave them the best price.

⁴ For example, for shatterproof glass windows, the use of a centrally negotiated LTA meant that all field locations could purchase the same product knowing that it met the necessary standards.

⁵ UNICEF Supply Manual (2011), chap. 6, sect. 8, para. 5.9.2.

Food and Agriculture Organization of the United Nations

The FAO procurement manual described the principles and procedures for the procurement of goods and services through LTAs, roles and responsibilities in the use of LTAs and, to some extent, procurement planning. It also encouraged cooperation with other United Nations organizations and discussed possible ways of cooperating.⁶

European Commission

The EC policy documents outlined several types of LTAs and provided detailed information on the advantages and disadvantages of each, how and when to establish them, and managing and implementing LTA contracts. They included specific instructions on the maximum permissible duration of LTAs, minimum numbers of candidates, minimum standards and commercial and technical selection criteria. They also encouraged inter-institutional procurement.⁷

D. STATISTICAL OVERVIEW OF THE USE OF LONG-TERM AGREEMENTS BY THE UNITED NATIONS SYSTEM

Significance of long-term agreements

14. Data available on the use of LTAs by organization was limited. United Nations organizations were asked to provide JIU with statistics on their procurement through LTAs as a percentage of total procurement and the number of LTAs they were party to, both at headquarters and in the field. However, most organizations were unable to provide a complete and accurate overview, especially of statistics related to LTAs established and used by field offices. Some of the reasons cited for lack of statistics were: that they were not required to distinguish between LTAs and other types of contract for the purpose of gathering statistics; that the information was not collected centrally; and that better statistics would become available in the future following implementation of new enterprise resource planning (ERP) systems.

15. The Inspectors noted that the lack of statistics in the United Nations system with respect to the use of LTAs limited the assessment of the overall efficiency and effectiveness of these types of contracts. The inability of the organizations to sufficiently monitor and assess outcomes and draw lessons learned from the use of LTAs could reduce their ability to fully realize the potential benefits of LTAs. The Inspectors therefore refer the organizations to recommendations 3 and 5 from the JIU note on procurement reforms in the United Nations system (JIU/NOTE/2011/1),⁸ and **advise that the capacity to collect and analyse total procurement data by type of contract, commodity group, location, and level of LTA utilization, among others, be reinforced.**

16. Statistics for the 12 organizations which were able to send them are presented in annex III. These were offered with the caveat that the statistics were incomplete and approximate at best, which has to be kept in mind when analysing and interpreting the data. The lack of statistics from many other organizations, and the incompleteness of the available statistics, was not conducive to making a complete system-wide assessment and drawing conclusions on the use of LTAs.

17. Nonetheless, even with the limited data, it can be seen that the use of LTAs in the system reaches significant or high levels. The total number of LTAs in those organizations that sent statistics showed an increasing trend between 2008 and 2011. While the total number of LTAs was 648 in 2008, 806 in 2009

⁶ See FAO Procurement Manual (2010), sect. 502.

⁷ See European Commission, circular on framework contracts (FWC), updated September 2011.

⁸ Recommendation 3: "Executive heads should ensure that the procurement process, contract management and data collection capabilities are integrated into the information systems of their organizations."

Recommendation 5: "Executive heads should regularly review the performance of LTAs and try to maximize their use by collecting and analysing relevant statistics".

and 1,098 in 2010, it amounted to 1,284 in 2011. UNICEF, the United Nations Secretariat and the United Nations Population Fund (UNFPA) were leading organizations in the use of LTAs as a percentage of total procurement. As seen in annex III, in 2011, the percentage of procurement done through LTAs amounted to 73 per cent in the United Nations Secretariat, 93 per cent in UNICEF⁹ and 28 per cent in FAO. The UNFPA data did not include 2011, but its data for 2010 showed that UNFPA procurement done through LTAs reached 45 per cent. According to data received for 2011, the World Food Programme (WFP) and the Joint United Nations Programme on HIV/AIDS (UNAIDS) had the lowest LTA usage, with 4 and 6 per cent, respectively.

18. In a few organizations, the proportional increase in the number of LTAs was higher than the proportional increase in the total volume of procurement through LTAs. This situation can be interpreted in different ways. One interpretation could be that the indiscriminate establishment and use of LTAs resulted in a proliferation of LTAs in the organization without any effort to reduce duplication and use existing LTAs optimally. This could mean that LTAs have been losing their efficiency value. Another is that many LTAs established recently are still in use and their full utilization and impact on the further increase of procurements through LTAs will be realized over the coming years. Considering the problems in the planning and monitoring of the use of LTAs, the reality could be a combination of these interpretations. The Inspectors would like once more to draw the attention of organizations to the importance of close monitoring and analysis of the establishment and utilization of LTAs.

Discrepancies in the statistics

19. One concern about the statistics noted by the Inspectors during interviews was that the total procurement figures of some organizations provided through the JIU questionnaire did not match those reported through the United Nations Office for Project Services (UNOPS) in the Annual Statistical Report on United Nations Procurement, and that there was no consistency among organizations in reporting procurement statistics. A possible explanation given by some organizations for the discrepancy was that their reporting to UNOPS covered all items for which purchase orders had been issued, including special service agreements, daily subsistence allowances, and national execution. Another explanation was double reporting in the case of procurement through partnership agreements.

20. The Inspectors found that there was no system-wide agreed standards or policies on the collection and reporting of procurement statistics. This situation undermines the credibility of the procurement statistics published by UNOPS and inhibits meaningful analysis of those statistics. Therefore **the Inspectors suggest that United Nations organizations (through the Procurement Network) establish, as a matter of priority, common standards, guidelines and templates to enable more accurate collection and reporting of procurement statistics.**

Goods and services procured through long-term agreements

21. United Nations system organizations were asked, through the JIU questionnaire, to provide a list of their top 30 LTAs (in terms of monetary value). Twelve POs provided this information. The data showed that the highest value (estimated monetary value) LTAs were in the areas of vaccines, pharmaceutical drugs, insecticides, leasing of buildings, travel management services, health insurance, information technology (IT) hardware (including maintenance), and utilities such as electricity and gas. As seen in table 2, the most commonly used LTAs among the organizations were in the areas of IT consulting services, office supplies, printing services, IT hardware, telecommunications services and training.

⁹ UNICEF ratio is based on headquarters procurement and LTAs.

Table 2: Most popular long-term agreements across the United Nations system

Good/Service	Number of organizations which had long-term agreements for this good/service
IT consulting services	7
Office supplies	7
Printing services	7
IT hardware	6
Telecommunications services	6
Training	6
Software licenses	5
Construction and renovations	5
Office furniture	4
Translation services	3
Vehicles	3
Freight services	3
Fuel	3
Mail and courier services	3

Source: JIU questionnaire

III. PROCUREMENT PLANNING AND STRATEGY DEVELOPMENT

22. The Inspectors noted that the advantages of LTAs enumerated in chapter II were not guaranteed by simply establishing an LTA, and not all benefits were harnessed by each LTA. The decision to establish an LTA and the choice of which type of LTA had to be made on a case-by-case basis for each good and service to be procured, following careful procurement planning and analysis and the development of a procurement strategy. That was critical to achieving the intended objectives of the LTA.

23. The purpose of procurement planning and analysis was to develop a full and comprehensive picture (procurement profile) of the procurement needs of the organization.¹⁰ The Inspectors found it to be a crucial step in the development of the right procurement strategy for United Nations organizations. It was a shared responsibility, to be undertaken jointly by the procurement unit and the requisitioners (who were key in defining the specifications of the good or service to be procured) with the support of top management.

A. PROCUREMENT STRATEGY DEVELOPMENT

24. The Inspectors noted that developing the organization's procurement strategy involved four main steps:¹¹ (a) a spend analysis; (b) risk analysis and risk management; (c) establishment of procurement profiles (which gave categories of goods and services and their associated levels of risk to the organization); and (d) the development of appropriate strategies for each category of goods and services. Possible strategies included aggregating demand for consolidated procurements, establishing LTAs, using other organizations' LTAs, and introducing purchasing cards (JIU/NOTE/2011/1, para. 75).

25. A total of 81 per cent of organizations responding to the questionnaire said they undertook regular portfolio analysis (see annex II). However, the Inspectors observed that few organizations did so systematically or comprehensively. Only the United Nations Development Programme (UNDP) and the International Atomic Energy Agency (IAEA) provided the Inspectors with comprehensive procurement spend analysis documents. Interviewees highlighted that systematic and comprehensive procurement planning and strategy development were not undertaken because of a lack of time, resources and capacity. Often they were not perceived as priorities for the organization. In some organizations, it was done only for strategic or core commodities. In others, procurement plans were developed mainly for an overview of the scheduling of procurement activities.

Spend analysis

26. The Inspectors found spend analysis to be useful in establishing whether or not there was a need for LTAs and for optimum use of LTAs, for example to detect demand aggregation possibilities. Spend analysis examined the organization's historical spending patterns (for example, spend and number of transactions per year per commodity or category, average purchase order value, and total expenditure per supplier). It also looked at upcoming needs, and forecasted plans and budgets to determine whether there would be significant or recurrent demand for particular goods or services.

27. Consolidation of upcoming needs for core and/or strategic items was done to a certain extent by United Nations organizations. For example, officials at UNOPS said in interviews that the Office asked for procurement plans to be developed at the country and regional levels, and consolidated these into one plan at the headquarters level in order to identify procurement patterns for goods and services for the entire

¹⁰ UN Procurement Practitioners Handbook (2006), chap. 2.3.

¹¹ Ibid., chaps. 2.3-2.7.

organization. UNICEF required that requisitioners assess the suitability and feasibility of LTAs for each good or service to be procured.¹²

28. The Inspectors noted that, to maximize the benefit of LTAs, the spend analysis should identify overlapping demand for goods and services across technical units and/or locations, or across United Nations organizations. From interviews, the Inspectors observed that requisitioners were often unaware of LTAs already established for similar goods or services by other technical units, offices in other locations, or other United Nations organizations. Most organizations did not have a centralized database listing their LTA tenders and contracts. This could result in the establishment of multiple LTAs for the same goods or services despite suitable LTAs already being in place and open for use.

29. Therefore the Inspectors suggest that **United Nations organizations establish and regularly update a database of their LTAs, and make this easily accessible to all within the organization, including offices in the field. It should be mandatory for requisitioners to check this database for any suitable LTA already issued before starting a new procurement process.** The United Nations Secretariat informed the Inspectors that it lists its LTAs in the United Nations Global Marketplace (UNGM), making them available for use by the Secretariat's requisitioning offices and other United Nations organizations. Furthermore, procurement staff are required to check available LTAs for requirements submitted by requisitioning offices.

Risk analysis and management

30. Risks associated with LTAs were related to the:

- Goods and services to be procured (for example: need for securing supply, need for standardization, ability to easily or precisely define the technical specifications or to establish a fixed unit price for the particular good or service);
- Supplier (for example: number of suppliers, probability of supply failure, the geographical location of suppliers);
- Market (for example: dynamic and innovative market, falling prices); and
- Organization (for example: anticipated external events or strategic organizational issues likely to affect the organization's spend profile).¹³

31. Risk analysis for LTAs is understood as identifying the origin, probability and magnitude of these risks, and risk management as the process of mitigating the probability and impact of the risks.¹⁴ The review found that, if at all, risk analysis and management was done in the United Nations system in an ad hoc and/or partial manner, or only for strategic or core commodities. Organizations first need to put in place a systematic risk management framework and to assess the risk level in appropriately categorized procurement activities, which would feed into procurement strategies. Each LTA should be established and used based on a specific risk assessment.

United Nations Development Programme spend and risk analysis

The UNDP spend and risk analysis established that 75 per cent of all purchase orders were less than US\$ 5,000 and represented only 10 per cent of total procurement spend. The remaining 25 per cent of purchase orders represented 90 per cent of total procurement spend (US\$ 1.35 billion). Moreover, the top 25 procurement categories (out of a total of 1,101) accounted for 78 per cent of purchase orders and 74 per cent of total spend. This helped to identify areas for LTAs, reduce transaction costs, and formalize organizational strategies for critical goods and services. Procurement staff interviewed said it was a time- and resource-intensive exercise but were in agreement over its utility and importance in enhancing the effectiveness of their procurement activities.

¹² UNICEF Supply Manual, chap. 6, sect. 8, para. 5.5.1.

¹³ UN Procurement Practitioners Handbook, p. 2-5.

¹⁴ Ibid., p. 4-2.

B. CHOOSING THE RIGHT TYPE OF LONG-TERM AGREEMENT

32. The Inspectors found that few organizations integrated different types of LTAs in their policy documents. UNICEF in its procurement policy defined two types: “time bound” LTAs and “target value” LTAs.¹⁵ In the majority of organizations, the type of LTA was chosen on the basis of customary practice or what other organizations were doing rather than a predetermined, systematic approach.

Global, regional or local long-term agreements

33. In several organizations, the procurement function was decentralized; 67 per cent of respondents to the questionnaire said that their regional and country offices had the authority to establish and manage their own LTAs (see annex II). However, the Inspectors noted from interviews that United Nations organizations were not always clear on when to use global, regional or local LTAs, and did not address the question during procurement planning and strategy development. Experience indicates that it is invaluable to have a strategy for the development and application of corporate LTAs and to introduce contract discipline for strategic, high-volume procurement categories where substantial advantages can be secured through the establishment of global LTAs and central management of these contracts.

34. For several commonly used items (for example, computer desktops and laptops, software licences, freight services, vehicles and strategic goods), it made sense to aggregate demand volume across the organization and establish LTAs which were global in nature, that is, open to all within the organization. This enabled bigger discounts and standardization of products. Indeed, the Inspectors found that many organizations made use of global LTA opportunities for some commonly used items. Use of LTAs was mostly voluntary. Regional and country offices could decide, taking into account shipping and maintenance costs, whether or not to purchase against those LTAs.

35. The Inspectors came across a few examples where the use of global LTAs was mandatory, such as for desktops and laptops. The World Bank mentioned that mandatory use of global LTAs for telephones and laptops simplified maintenance of these products as they were universally of the same specifications. UNICEF and UNFPA required the purchase of strategic goods such as vaccines, pharmaceuticals and reproductive health products against global LTAs to ensure volume leverage and the necessary health, safety and quality standards.

36. Regional LTAs existed in the system but were less common. The World Bank established regional LTAs for travel management services and training. UNICEF set up many regional LTAs for education supplies. UNOPS established several LTAs on a regional basis, but they were open to the rest of the organization. For furniture, UNOPS had an international tender but awarded the contracts regionally. UNOPS divided the bid into regional groups before the evaluation and established multiple LTAs with secondary bidding. In some cases, the prices (including delivery) offered to UNOPS by the regional supplier were lower than those offered by the local supplier. The United Nations Secretariat explained that the regional procurement office in Entebbe consolidated requirements which by their nature were best procured in the region and were common to field missions in one region.

37. At the local level, commonly established LTAs were for utilities (such as electricity, water and gas), office supplies, cleaning services, catering, building maintenance, leasing of buildings and equipment, and

¹⁵ Both types were valid for a fixed period of time, but time-bound LTAs expired when the expiry date was reached (irrespective of the total volume procured), whereas target-value LTAs had a maximum amount and expired either when the maximum amount was reached or the contract expiry date was reached (whichever came first). Target-value LTAs were used for strategic essential supplies and other supplies where the purchasing power of UNICEF could potentially influence the market (including the prices offered). Time-bound LTAs were used when the forecasted demand and/or historical data were too unreliable to warrant the establishment of a target-value LTA (UNICEF Supply Manual, chap. 6, sect. 8, para. 2.2).

construction and renovations. Joint procurement for common services was also typical at the local level for United Nations organizations located in the same building/compound.

Single and multiple long-term agreements

38. In interviews, several organizations, including UNICEF, UNOPS and UNDP, gave examples of multiple LTAs set up by their organization and noted the increasing use of these types of contracts. However, the Inspectors found that single LTAs remained the most widely used across the United Nations system. Of the sample contracts analysed, 91 per cent were single LTAs. The Inspectors noted that, in the United Nations system, policies and guidelines for the use of multiple LTAs had not been clearly established. Several organizations used multiple LTAs (either with secondary bidding, as primary and secondary/back-up LTAs, or equally) without proper assessment of their benefits and risks or established procedures for their use. This posed a risk to the organizations.

39. In essence, the Inspectors noted that all LTAs operated as “a two-stage procurement, in which one or more suppliers are awarded LTAs with certain pre-defined terms and conditions in the first stage, while specific purchase orders/contracts with exact quantities are placed under these frameworks only at the second stage. In that sense, LTAs may be considered as an intermediate step towards a purchase order/contract.”¹⁶

40. The European Commission, as seen in tables 3 and 4, classified LTAs into three main types, indicated the procedure for use, and also provided clear instructions on choosing the type of LTA.¹⁷

Table 3: European Commission: types of long-term agreements – modus operandi

Type of LTA	First stage of procurement	Second stage of procurement
Single LTA	Single contract signed with one supplier.	Purchasing orders are placed directly against the LTA by the requisitioner.
Multiple LTA in cascade	Contracts for same good or service signed with multiple suppliers, who are ranked in order of preference.	Purchasing orders are placed directly against the LTA by the requisitioner. The latter must respect the order of preference.
Multiple LTA with secondary bidding	Contracts for same good or service signed with multiple suppliers.	The organization must undertake a secondary bidding process, whereby the chosen contractors submit bids and compete for a specific order.

Table 4: European Commission: choice of long-term agreements depending on the subject matter

Definition of needs Number of contracts	Technical specifications are precisely defined	Technical specifications are defined in general terms
Single supplier	Single LTA	-
Multiple suppliers	LTA in cascade	LTA with secondary bidding

41. The Inspectors noted the main advantages and disadvantages of each type as follows:

¹⁶ UNICEF Supply Manual, chap. 6, sect. 8, para. 2.4.

¹⁷ European Commission, circular (footnote 7 above), pp. 4-5.

Table 5: Advantages, disadvantages and risks of each type of long-term agreement

	Single LTA / Multiple LTA in cascade	Multiple LTA with secondary bidding
Advantages	<p>The terms laid down in the LTA were sufficiently precise to cover future requirements, and purchasing orders could be placed directly against the LTA by the requisitioner. The LTA reduced administrative costs and the acquisition time.</p> <p>Multiple LTAs in cascade could be justified in situations where security of supply was at risk, either because of the sheer scale of requirements given what the market could provide or because the service was urgent and suppliers had an extremely short time in which to respond. If the first/primary supplier was unable to deliver the good or service in the time required, the organization could use the second/secondary supplier.</p>	<p>These were suitable when the exact nature of the work to be carried out (technical characteristics) could be indicated in advance, but the subject, required usage or exact timing of need were to be determined by the organization as and when needed (after contract award). In the United Nations system, it was used, inter alia, for IT consulting, translation services, training and printing services.</p> <p>The secondary bidding ensured that some element of competition remained. It helped United Nations organizations to mitigate the risk of being locked into an LTA with an underperforming supplier, and to take advantage of any favourable development (for example, evolving needs of the organization, technological progress and decrease in prices) in the market during the lifetime of the LTA.</p>
	Single LTA / Multiple LTA in cascade	Multiple LTA with secondary bidding
Disadvantages	<p>Several interviewees noted that there could be a decrease in value for money and/or quality of service over the duration of these LTAs, as the single or first contractor was in a quasi-monopolistic situation. In the EC, ranking for the cascade was fixed throughout the duration of the LTA, and an additional disadvantage highlighted with respect to the multiple LTA in cascade was that if the first-ranked supplier performed unsatisfactorily, it was only by terminating its contract that the second could be used directly.</p> <p>In the United Nations system, there were no formal procedures for establishing and using multiple LTAs in cascade. Decisions on how to implement these LTAs in practice were left mostly to the discretion of managers. The Inspectors noted that a discretionary choice between two contracts/vendors for the same good or service could raise suspicions of a risk of corruption and/or favouritism.</p>	<p>United Nations organizations had no clear rules on, for example, the minimum number of suppliers for a multiple LTA and/or on the process of secondary bidding. The EC recommended choosing at least three contractors (and if possible more) under the multiple LTA with secondary bidding to ensure sufficient competition.¹⁸ Furthermore, in the EC, the secondary bidding required a separate specific and official award decision further to the initial award decision of the LTA itself. It had to be documented properly, as vendors had the right to dispute and challenge the results of the secondary bidding.</p> <p>In the United Nations system, experiences shared in interviews indicated that the secondary bidding process was informal. In many instances, it was not seen as a separate and official award decision but more as an informal selection process which did not require the usual controls and documentation. The Inspectors observed that, while the initial selection of vendors for the multiple LTA with secondary bidding had been made under the official procurement rules and regulations, the more informal secondary bidding process could risk undermining competition and transparency, and leave United Nations organizations open to challenges from suppliers.</p>

¹⁸ Ibid., p. 3.

42. The Inspectors urge **United Nations organizations to establish proper rules and guidelines for the use of multiple LTAs**. The policies and practices of the EC in this respect could be referred to as a good example.

43. The Inspectors also would like to note the risk of overusing LTAs where they do not provide advantage. If the quantity of goods and services to be purchased and their delivery time can be determined reasonably well, it would be better to establish a single contract with a definitive quantity and price instead of an LTA.

C. ASSESSING COSTS AND BENEFITS OF LONG-TERM AGREEMENTS

44. The benefits are not guaranteed by simply establishing LTAs. Unless the decision for LTAs was made following cost-benefit analysis and careful spend analysis and procurement planning, there could be missed opportunities and inefficiencies. The Inspectors observed that there was no common definition or way of calculating costs or benefits of LTAs in the United Nations system. They would like to highlight that assessing to the extent possible the costs and benefits of establishing an LTA is an important step in the procurement planning and strategy development process, and in deciding whether or not to establish the LTA. Usually in the system there was no financial savings calculation for LTAs, rather a customary efficiency assumption was used. However, there were also good examples of financial savings calculations, particularly for collaborative LTA contracts concluded in Rome, Geneva and Copenhagen.

45. In the calculation of savings a number of methods could be applied. For instance, when an LTA had been established for a specific good with catalogue prices, it was possible to compare the discounted price in the LTA against the price that would have been paid for the same order quantities in the absence of the LTA. Other possible methods include calculating the price difference between the LTA contract price and the previous non-LTA contract price; between the LTA contract price and other price offers in the bidding; or between the LTA contract price and prevailing market prices. In many instances, benefits from an LTA were more than just financial, and formulas could be developed to take into account, inter alia, customer satisfaction, value for money, administrative efficiencies, and time freed up for more complex procurements. An important point made by the Rome Common Procurement Team (CPT) was that savings from LTAs were not structural (that is, they did not lead to fewer procurement staff) but rather derivative (that is, they led to lower prices following economies of scale and optimization of market conditions). Therefore, savings from LTAs showed on the individual budget lines of the requisitioner departments and not on those of the procurement unit.

46. The Inspectors considered costs from LTAs as falling into two main categories. The first related to the time and resources taken to set up an LTA (for example, spend and number of transactions per procurement staff, and number of procurement staff involved in the transaction per commodity group). Because LTAs were longer, more complex and involved more risk than single transactions, their establishment and management often required more time and resources. The second category of costs related to opportunity costs from the risks associated with contracts that are no longer competitive. Opportunity costs were harder to measure because of their uncertain nature. The Inspectors noted that contractual mechanisms could be used to mitigate opportunity costs.

D. SOME MAIN ELEMENTS OF LONG-TERM AGREEMENTS

Contract duration

47. The majority of organizations responding to the questionnaire indicated that LTA contract duration was determined on a case-by-case basis by the procurement unit, at times in conjunction with requisitioners. A variety of factors were given as influencing the decision on LTA contract duration. These included:

- Market conditions, particularly the level of innovation and rate of change in the market;
- The duration of the organization's funding stream, project or budget to which the LTA was related;
- The type of good or service being procured;
- Supplier performance; and
- Existing organizational practices.

Table 6: Contract duration of long-term agreements

Organization	LTA contract duration (years)		
	Max	Min	Average
FAO	5	1	5
ILO	6	1	3+1
IMO	5	2	3+2
United Nations Secretariat	3+2	2	3+2
UNFPA	5	1	3
UNICEF	10	1	2+1
UNRWA	5	2	3+1
UNWTO	5	1	2
WFP	3+2	1	3
WHO	5	1	n/a
ITU	5	1	3+2
UNDP	5	1	3
UNESCO	3.5	1	3
UNOPS	3	1	3
UNHCR	4	1	3
UNAIDS	2	1	2

Source: JIU questionnaire

48. Sixteen organizations responding to the questionnaire provided data about the duration of their LTAs (see table 6). Contract durations in the majority of organizations were for a minimum of one year and maximum five years, and the average duration was three years with a maximum two-year extension possibility. The Inspectors noted that practices in deciding on contract duration varied across the United Nations system. A few organizations gave guidance in their procurement manuals on factors to consider in determining the duration of LTAs, but in general discretion was given to procurement staff and requisitioners to determine what length of LTA best suited their needs. The majority of interviewees stated that they followed their standard organizational practice with respect to awarding LTAs. The Inspectors encourage United Nations organizations to share and discuss lessons learned on contract duration through the Procurement Network.

Estimated quantities

49. A total of 52 per cent of the organizations (see annex II) responding to the questionnaire said they estimated purchase order quantities in their LTAs, and only 2 per cent of sample contracts analysed included an estimate of purchase order. Nonetheless, most interviewees said that, although they did not include estimated quantities in the actual LTA, they did provide estimates (based on past purchases) in their solicitation documents as an indication of potential volume. In their experience, this was sufficient in attracting bids from suppliers.

50. Of the organizations that said they included estimated purchase quantities in their LTAs, 80 per cent found that on occasion they ordered significantly less than the estimates given to suppliers. None of the United Nations organizations reported any direct consequences of ordering less than the estimates, as there were no associated penalty clauses in the contracts. However, in interviews, some officials mentioned that their continued practice of ordering less than estimated against their LTAs weakened their position in the market. It lessened their credibility and made future tenders for LTAs less attractive to bidders. **The Inspectors recommend that United Nations organizations give accurate estimates in their solicitation documents so that suppliers can tailor their bids accordingly. The level of utilization against the LTA and any major deviations should be monitored and analysed as part of a systematic collection of lessons learned.**

51. When forecasts of anticipated demand were historically accurate and the organization was confident of its funding, guaranteeing minimum orders was found to be beneficial (see example from UNICEF below). However, when this was not the case it was risky to include guaranteed minimum orders, as the organization could potentially be forced to buy more of a product than required. Several United Nations organizations indicated in interviews that they thought they could negotiate better discounts if they guaranteed minimum order quantities.

Volume guarantees by UNICEF

In 2011, with the financial backing of its donors, UNICEF was able to guarantee minimum order quantities of the rotavirus vaccine over several years and secure large quantities at lower prices. UNICEF estimated that these volume guarantees enabled it to procure the rotavirus vaccine at one third of the market price the previous year. Its projected savings or costs avoidances for 2011-2015 were estimated at US\$ 438 million. UNICEF also used other financing tools, such as stand-by letters of credit to fast-track the procurement and delivery of anti-malarial bed nets. It reduced the number of weeks it took to finance, produce and deliver bed nets from 44 to 11 weeks.¹⁹

Not-to-exceed amounts and long-term agreement value

52. A few of the sample LTA contracts analysed contained not-to-exceed (NTE) amounts. This set out the maximum value that could be charged against an LTA. The Inspectors found that the use of NTE amounts was effective with respect to controlling total money spent and using retendering or renegotiating opportunities for achieving further discounts when purchases exceeded the NTE level. However, the NTE amount had to be accurately estimated and monitored carefully. Typically these contracts specified that the supplier could not claim any payment in excess of the NTE amount.

53. In most of the organizations, LTAs are required to be reviewed by the procurement contract review committee if their estimated value exceeds established procurement thresholds. Exceptionally, UNICEF requires all LTAs to be reviewed by the contract review committee irrespective of their estimated value. Its policies also required the responsible contract manager to “monitor the estimated maximum target value and take appropriate decisions, e.g. to re-submit the LTA to the CRC [contract review committee] for amendment or to re-bid if the target value is reached before the date of expiry of the arrangement”.²⁰ The United Nations Secretariat also has monitoring tools alerting both the procurement officer and the requisitioner of the upcoming expiry of either the contract term (eight months in advance) or the usage of NTE amount (at 75 per cent usage). Exceeding the NTE amount or target value could warrant renegotiation of better terms and conditions.

¹⁹ UNICEF, *Supply Annual Report 2011*, pp. 8-10.

²⁰ UNICEF Supply Manual, chap. 6, sect. 8, para. 5.9.5.

54. In the majority of organizations, whether an LTA was subject to the oversight of the procurement contract review committee depended on whether its estimated value exceeded predefined procurement thresholds. The estimated value of LTAs covered the whole life cycle of these contracts in the majority of organizations, but not in all. Where the estimated value of LTA contracts did not cover the whole life cycle, those contracts and their extensions could avoid review by the procurement contract review committee despite the total value being over the review threshold. This carried significant risks to the organization and **the Inspectors advise that the value of an LTA be estimated over the entire lifetime of the LTA (taking into account potential extensions) so that it is subject to the necessary controls and oversight.**

Price

55. The Inspectors noted that fixing the price of the good or service to be procured through the LTA required analysis of, inter alia, the nature and structure of the market, the number of suppliers, the organization's value and negotiation power as a customer, and price benchmarks. However, interviews indicated that this was not done systematically by the organizations. It was done sporadically and mostly for high-value or strategic goods and services. Several interviewees, while recognizing the associated risk, said that the time, resources and capacity for undertaking this type of analysis did not exist in their organization.

56. Several interviewees mentioned that they mitigated the risk of rapidly evolving prices by having the price as a fixed discount off the catalogue price of the supplier. This was especially advantageous in cases of fast-moving industries with rapidly evolving prices, such as IT hardware. For instance, a PAHO LTA required the supplier to provide the organization with a 42 per cent discount on the United States retail price for servers and a 30 per cent discount on the United States retail price for desktops and laptops. The United Nations Secretariat also received similar discounts on servers. For personal computers, it received a discount of 31 per cent from the list (retail) price for locations in the United States of America and 26 per cent from the list price for missions. Further, the Secretariat received percentage discounts from catalogue prices for spare parts for vehicles. The Secretariat informed the Inspectors that the decision as to whether to have a fixed price or price annexed to an index was determined by the procurement officer in consultation with the requisitioner at the beginning of the solicitation process. The decision would depend on the type of commodity, the duration of the contract, the existence of an appropriate index and the volatility of goods in the market.

Time-and-materials or fixed-fees approach

57. The Inspectors found that the time-and-materials approach was often used in the United Nations system, usually under multiple LTAs with secondary bidding, such as for translation services, construction, or IT consulting. Under this approach, the supplier specified a daily cost and charged the organization based on the number of days worked in fulfilling their contractual requirements. The Inspectors observed that it carried the risk of suppliers presenting low rates in their bids in order to be awarded the LTA, but later overcharging the number of days necessary to carry out the tasks. The EC outlined several possible measures to be taken during procurement planning to avoid or limit this risk.²¹ Measures to reduce risks could include awarding the LTA to many suppliers, requesting fixed or maximum unit prices, and including in the contract possible scenarios in pricing.

58. In contrast, fixed-fee agreements were all-inclusive. They had specific deliverables required from the supplier and stated the fee from the beginning. This fee remained fixed regardless of how much time it took the supplier to deliver the agreed service. The Inspectors noted that the subject of the LTA should be described clearly so that bidders can accurately express their ability to deliver the services for a global price and under specific time constraints.

²¹ European Commission, circular, pp. 7-8.

Way forward

59. **Procurement planning and strategy development were found to be essential in ensuring the relevance, efficiency and effectiveness of LTAs.** However, the Inspectors noted that overall in the United Nations system, the importance of these steps was not universally recognized, and the necessary time and resources were not given to carry them out. In most United Nations organizations, the procurement departments/units were seen as a transactional department/unit rather than a strategic one. They were working reactively as part of a procurement transactions chain and were neither formally tasked to do spend analysis, planning, strategy development and implementation monitoring, nor did they have the capacity and resources to do so.

60. In particular, the use of LTAs as high value and multi-year contracts requires specific procurement policies and guidelines in order to increase LTA efficiency and effectiveness and reduce risks. Such policies and guidelines should aim to explain when and how to establish LTAs, clarify their purpose, identify their possible modalities and advantages and disadvantages, and indicate possible strategies to apply.

61. The lack of proper procurement planning and strategy development could result in missed opportunities for using LTAs or misuse of LTAs (that is, using LTAs when they do not provide best value for money or choosing the wrong type of LTA). This concern was raised in the JIU note on procurement reforms in the United Nations system, whereby the Inspectors stressed the importance of organizations developing capacity for procurement analysis, forecasting, planning and strategy development.

62. Implementation of the following recommendation is expected to increase the effectiveness of United Nations organizations' use of LTAs.

Recommendation 1

Executive heads should develop specific procurement policies and guidelines for the strategic use of LTAs by their organizations. These should aim to clarify the purpose, advantages, disadvantages, possible strategies, main elements, and types of LTAs, and when and how to establish them.

IV. CONTRACT MANAGEMENT

63. Contract management was understood by the Inspectors as the process of ensuring that “all parties to the contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and providing value for money”.²² It also “protects the rights of the parties and ensures required performance when circumstances change”.²³

64. The Inspectors deemed contract management to be critical in enabling efficient and effective use of LTAs as, given their long-term nature, LTAs could cease to offer best value for money if not managed properly. Effective contract management allowed for an assessment of supplier performance and ensured that the business requirements of the contract were met. It required monitoring of the price and conditions of the market and of utilization against the LTA. It also assisted United Nations organizations in tracking that the objectives of the use of LTAs were being realized.

65. The Inspectors established that overall contract management received insufficient attention in the United Nations system. The General Assembly has greatly emphasized the need for procurement reform,²⁴ and significant efforts have been made by the organizations in streamlining procurement processes, but contract management has been generally overlooked and underestimated in those efforts. The gaps in contract management were highlighted in the JIU note on corporate consultancies in United Nations system organizations, in which it was recommended that “the executive heads of the United Nations system organizations should ensure that: adequate policies and guidelines exist for effective contract management; [and] an electronic contract management module is integrated into the information management system”.²⁵

66. Only 60 per cent of the organizations’ procurement manuals included contract management, and only half of those included any in-depth discussion or guidelines. Some organizations focused on certain aspects of contract management (for example, managing supplier performance; dispute management and resolution). Some had contract managers for particular high-value, high-risk and/or strategic LTAs. Some provided informal guidance on contract management to requisitioners on an ad hoc basis when required.

Contract management guidelines – FAO Administrative Services Division

The contract management guidelines of the FAO Administrative Services Division focused on four areas. The first was the post-tender stage, which concerned understanding the contract, defining roles and responsibilities of all parties and building a relationship with the supplier. Second was managing performance; guidance was provided on the correct level of involvement, and tools were suggested, such as service level agreements, key performance indicators and performance reviews. The third area was contract administration, which concerned processing payments, amendments and renewals. The fourth area related to contract closure, giving guidance on planning ahead for the end of the contract, avoiding disputes and protecting institutional memory.

67. Interviews revealed that contract management was not systematically and/or comprehensively undertaken in most United Nations organizations. The main reasons for this were the lack of guidance, time constraints, and staff capacity gaps. Several requisitioners said that contract management was not a priority for them and was often considered an added burden on top of their existing workload. A few mentioned that, although they had received training on contract management, the skills and competencies for effectively performing contract management were still generally lacking in their organization. However, the Inspectors recognized that organizations are increasingly aware of the need for focused attention on the contract management issue. Interviewees mentioned that, to address the information gap on contract

²² UN Procurement Practitioners Handbook, p. 3-90.

²³ Ibid.

²⁴ See General Assembly resolutions 65/261, 62/269, 61/246, 59/288, 57/279, 61/276, 60/266, 54/14 and 52/226.

²⁵ JIU/NOTE/2008/4, recommendations 14 and 15.

management, some requisitioners had developed their own contract management guidelines. In response to the questionnaire, several organizations said that they were planning to include contract management in subsequent revisions of their procurement manual.

68. In the United Nations Secretariat, the Department of Field Support (DFS) issued a contract management policy effective 1 April 2012 that provides missions with further guidance on effective contract monitoring and management as it relates to vendor performance. DFS also appointed a chief of contracts management at the global service centre who provides guidance to the field to further enhance the effectiveness of the contract management function. The department also held its first contract management conference in June 2012 and has further established a community of practice to share knowledge, information and resources among the contract management community.

A. ENABLING CONTRACT MANAGEMENT

69. The Inspectors noted that effective contract management started before contract award, as part of procurement planning. For example, the European Commission advised that “before establishing a Framework Contract (FWC), the contracting authority assesses its capacity to manage the contract implementation phase – in particular if the FWC is for technical, complex or high value services, or operates across several services and/or Institutions. Such FWC may need dedicated human resources for contract management, e.g. for customer/supplier complaints or monitoring of the FWC so that it is operated in accordance with its terms and is delivering required outcomes.”²⁶

70. The resources, tools and skills required for contract management depended on the size and complexity of the LTA, the good or service to be procured, and the nature of the contract work. The Inspectors suggest that **United Nations organizations determine the resources required for contract management and ensure that adequate resources are allocated to the task.**

71. The Inspectors considered it good practice that, once an organization decided to establish the LTA, and before the solicitation process began, it was to develop a “contract work breakdown structure” that reflected the technical and administrative aspects of contract performance.²⁷ Roles, responsibilities and obligations for contract management had to be clearly defined at that point, and the relationship between the supplier and the organization defined and included in the contract itself.

72. The Inspectors found that, in the United Nations system, the responsibility for contract management was either assumed by the procurement unit, shared between the procurement unit and the requisitioners, or given principally to the requisitioners. In the majority of United Nations organizations there was no central unit/team clearly accountable for supporting and monitoring the process as a whole (end-to-end). Interviews reflected that in general there was confusion about the division of responsibility between procurement departments and requisitioners with respect to contract management. This confusion stemmed either from lack of clarity over the division of work in formal procurement policy documents or from lack of training and ownership by the respective parties. Underestimation of the work involved in contract management and lack of capacity may contribute to a reluctance to accept this responsibility.

73. Organizations first need to recognize the importance of contract management and establish clear responsibilities for the process of procurement and contract management at the policy level. For successful procurement and contract management, it is essential to have close cooperation between the procurement unit and requisitioners. In some organizations, requisitioners had little responsibility beyond defining specifications; in interviews, many of those requisitioners expressed their willingness to be more involved in the procurement process and in managing the contracts. **Procurement planning, strategy development**

²⁶ European Commission, circular, p. 1.

²⁷ UN Procurement Practitioners Handbook, p. 3-92.

and contract management should be seen as a shared responsibility of procurement and requisitioner departments/units. In cases where there is insufficient cooperation between requisitioners and the procurement function, the resulting LTAs will be less efficient and effective than they should be.

IAEA procurement and contract management approach

For any LTA over a value of €25,000 in IAEA, a procurement team was established which was responsible for the contract from inception to conclusion. It included designated people from the Office of Procurement Services and the requisitioner departments. Among other things, the team formally agreed on a “procurement plan” which specified the composition of the procurement team and included the procurement timeline; findings of the demand, stakeholder and market analysis; an assessment of the value of IAEA as a customer; the procurement strategy; key performance indicators; the negotiation plan, communication plan and implementation plan; strength, weakness, opportunity, and threat (SWOT) analysis; and the risk management plan. The team was also responsible for implementing and managing the contract during its lifetime. IAEA policy required a strategic approach to “critical” procurements over €150,000, which were considered to represent an even greater risk to the organization. The names of those making up the procurement team had to be included in the procurement plan and approved by the directors of the Office of Procurement Services and the requisitioner departments.

74. In the United Nations Secretariat, contract management was the responsibility of the requisitioner and/or end user, while the procurement division was responsible for procurement and contract administration. In line with the contract management policy, DFS was developing further guidance to assist contract managers and requisitioners in contractor performance management and monitoring as well as contractual risk assessment. A requisitioner training programme was also being developed to enhance the skills and capabilities of those involved in the contract management life cycle, including contract management staff and requisitioners.

75. According to the UNICEF Supply Manual, “a formal monitoring and review system should be put in place for each LTA”.²⁸ Requisitioners received instructions, training and tools to establish and monitor performance indicators. While most interviewees supported a greater understanding of the procurement process and contract management and a greater role for the requisitioners, several acknowledged that it implied additional responsibilities and not necessarily additional resources. Units with many and high-value LTAs, such as the Information Technology Solutions Services Division, had hired a contract manager dedicated to their contracts. Smaller units suggested creating a cluster among themselves with a dedicated contract manager to implement and manage all their contracts. **The Inspectors found clustering similar small and medium contracts under dedicated contract managers to be a reasonable solution.**

B. MANAGING SUPPLIER PERFORMANCE

76. The Inspectors considered the supplier as a member of the procurement team once the LTA contract was awarded. It was judged important that, upon signature of the contract, the organization and the supplier discuss their understanding and joint administration of the contract, and agree on the communication plan (reporting/meeting requirements), timelines, performance indicators and service level agreements (SLAs) for monitoring deadlines and quality under the LTA. Intermediate performance goals helped the organization to measure progress, detect significant performance variances, take corrective action and follow up.²⁹

77. A review of sample contracts reflected that the establishment and use of key performance indicators in the organizations was not adequate and that they were not used consistently. LTA contracts are relatively high value and long term, therefore the establishment of proper key performance indicators linked to

²⁸ UNICEF Supply Manual, chap. 6, sect. 8, para. 5.9.2.

²⁹ UN Procurement Practitioners Handbook, p. 3-92.

payments and other penalties is essential to successfully manage these contracts and keep suppliers accountable for failing to deliver. All LTAs should include such indicators unless assessed as very low risk. Table 7 provides some information, from the sample LTA contracts analysed, on contractual mechanisms that facilitated contract management by specifying in advance the working modalities between the organization and the supplier.

Table 7: Contractual mechanisms for managing supplier performance in the sample contracts

Contractual mechanism	Role in contract management	Contracts that included this (%)
Specifications, terms of reference or statement of work (that is, business and other requirements)	Enabled United Nations organizations to establish clear criteria against which to review supplier performance. All of the sample contracts contained business requirements or specifications in one form or another.	100.0
Regular meeting requirements between the organization and the supplier	Specified the minimum amount of contact to be had between supplier and organization. Interviewees mentioned that, even where no requirements for regular meetings were specified in LTAs, suppliers were generally available for meetings with the organization and discussions about the contract on a regular basis.	2.2
Reporting requirements	Specified the exact management information that the organization required from suppliers. The Inspectors noted that all LTAs had clear reporting needs but, without making reporting a contractual obligation, there was no guarantee that the suppliers would provide the necessary information and be kept accountable for it.	23.9
Service level agreements (SLAs)	Specified the key performance areas of a contract and gave SMART ³⁰ measures of performance against these areas. Well-drafted SLAs should include penalties to be charged to the supplier for non-compliance. SLAs were generally often specified for timeliness, accuracy, quality and availability of delivery. In all cases, detailed descriptions of the precise requirements had to be given. The measurement of SLAs, their frequency and reporting had to be specified. The Inspectors advise that SLAs be included in all LTAs.	6.2
Requirements for the supplier to re-perform substandard work	Required the supplier to re-perform the work at no extra cost. This was a powerful contractual mechanism and typically needed to be accompanied with clear definitions of what constituted satisfactory work in order to be accepted by suppliers.	15.2
Provisions for financial penalties/withholding of payments based on supplier performance	Generally involved withholding of payments or penalty payments related to performance against key objectives. The most effective penalty clauses gave clear, precise and unambiguous circumstances in which penalties would be raised, usually as a result of poor performance against SLAs. When penalties were clearly defined, suppliers could determine whether or not they could realistically provide the services without incurring penalties.	30.4
Testing requirements	Not relevant to all LTAs but for those of a technical nature it was deemed important that the supplier demonstrate that its solution met the organization's requirements through testing. The types of testing to be carried out and the role of the organization had to be defined.	13
Business continuity and disaster recovery requirements	Where relevant, described the duty of the supplier in preparing plans for worst case scenarios, that is, when events such as a fire or explosion interrupted the provision of services.	4.3

³⁰ SMART: specific, measurable, achievable, relevant and time-bound.

C. MONITORING UTILIZATION

78. The Inspectors judged the monitoring of the organization's utilization against the LTA to be critical in evaluating the outcomes of the LTA. Good procurement planning should lead to an almost 100 per cent utilization rate. The Inspectors found that most United Nations organizations did not monitor or report on utilization against LTAs unless they included NTE amounts or were target-value LTAs. Monitoring of the contract expiry dates was undertaken to a larger extent, but overall the Inspectors observed that monitoring and reporting on procurement was inadequate in the system. This issue was highlighted in the JIU note on procurement reforms in the United Nations system.³¹ Furthermore, only 24 per cent of the organizations said that they systematically collected lessons learned for each LTA they established (see annex II). In the absence of mechanisms to monitor utilization and collect lessons learned, it is not possible to optimize the benefits of LTAs. Moreover, this situation risks creating inefficiencies. Therefore organizations need to monitor both the individual utilization and efficiency of each LTA, and the overall efficiency and effectiveness of LTAs in totality.

79. At UNICEF, contract managers were required to "monitor expiry date, as well as maximum target value for target value LTAs" and "compare real expenditure with estimated quantities (total expenditure, and by item) in order to ensure that aggregate quantity discounts are applied".³² They were also required to consider and continuously assess whether there were major deviations from the projected quantities or whether shared LTAs had been used by other offices/organizations. In the United Nations, the Procurement Division produced monthly monitoring reports to alert all procurement staff and requisitioners of contracts with an expiry date of less than eight months and contracts that had surpassed 75 per cent of the NTE amount.

80. Several interviewees highlighted that their organization's IT systems did not allow for real-time monitoring of utilization, costs or contract expiry dates. In some United Nations organizations, contractual clauses were introduced in the LTA which required that the supplier not perform any services, deliver any goods or claim any payment in excess of the NTE amount, and/or inform the organization in writing when total spend under the LTA had reached a specific level, for example, 75 per cent of the NTE amount. This allowed the organization to transfer some of the responsibilities for spend control onto the supplier.

D. MONITORING MARKET CONDITIONS AND PRICES

81. Few organizations required ongoing monitoring of market conditions (for example, the level of choice in terms of supplies or new products entering the market) and prices throughout the lifetime of the LTA. However, given the long-term nature of LTAs, the Inspectors found this to be essential in ensuring the efficiency and effectiveness of such agreements, particularly in the case of rapidly evolving markets. In those markets, falling prices could result in the LTA no longer representing best value for money (even after taking into account savings in administration costs) and could require a re-tendering or renegotiation.

82. The Inspectors noted that monitoring of market conditions and price was not done systematically in the United Nations system and, where it was done, it was only for strategic or core commodities. The majority of interviewees said that the resources and/or capacity required did not exist in their organization. However, interviewees did mention the use of some contractual mechanisms to mitigate the risk of being locked into contracts no longer offering competitive prices. These included "most favoured customer" clauses, which required the supplier to offer its best prices to the organization, and clauses requiring the supplier to inform the organization if market trends pushed prices downward.

³¹ "Executive heads should ensure that their organizations have in place proper procurement monitoring and performance-evaluation mechanisms." (JIU/NOTE/2011/1, recommendation 14).

³² UNICEF Supply Manual, chap. 6, sect. 8, para. 5.9.2.

Examples of price revision clauses

International Civil Aviation Organization (ICAO)

(LTA contract for digital multi-functional devices and associated accessories)

“Any reduction in the price of equipment during the validity of this agreement shall be advised by [Contractor] to ICAO and the relevant changes shall be incorporated ... according to paragraph 10. Failure by the Contractor to advise ICAO of revised prices will be subject to termination of the agreement.”

WFP

(LTA contract for jet fuel)

“Most favoured customer price certification: by signing this LTA the Seller certifies that WFP, for transactions resulting from this LTA, is not charged more than other clients for similar services and similar quantities and within similar circumstances.”

United Nations Secretariat

(LTA contract for paper supply)

“The prices shall be valid for a period of twelve months and will be subject to a yearly revision during the entire period of the contract...The prices shall be revised in accordance with the Pix Paper Europe benchmark indexes ... published by FOEX indexes Ltd, www.foex.fi. The subscription costs of using the FOEX paper index shall be borne by the vendor.”

83. Only 23 per cent of sample contracts analysed specified that the supplier had to inform the organization when changes in the market pushed prices downward, and only 21 per cent of the sample contracts included MFN clauses. Interviewees said that those types of clauses could not be applied to all types of goods and services. In addition, they noted that it was hard to enforce the MFN clause in practice. For example, for IT hardware, suppliers often said that the product model offered under the contract no longer existed and that, for the price initially negotiated, they could offer a newer model with higher technical specifications. Several interviewees highlighted that price revision clauses addressed falling prices but did not reflect improvements in quality or the price of services. The Inspectors would like to draw to the attention of the organizations that, in the case of contracts that include the authority to revise prices, particularly in the case of upward revision, during the lifetime of the LTA, it is important to define the margin and basis of possible revisions with a view to having an objective mechanism to keep prices competitive and reduce discretionary power in decision making.

84. The EC instructed its requisitioners to assess the risk of price fluctuation and of technological captivity over the lifetime of the LTA, and to set up mechanisms in the contract to reduce these risks, such as a system of mid-term review or benchmarking.³³ Prices were fixed during the first year of the LTA and could be revised upward or downward within predefined margins during subsequent years. This was done according to the trend in the harmonized indices of consumer prices, published monthly by Eurostat.³⁴

E. MODIFICATION OR TERMINATION OF THE LONG-TERM AGREEMENT CONTRACT

85. Interviewees noted that changes to the terms of the LTA contract were defined on a case-by-case basis, taking into account general procurement principles, the subject of the contract, duration and value of

³³ European Commission, circular, p. 9.

³⁴ European Commission, framework service contract model of September 2011, p. 4. The formula used was $Pr = Po (0.2 + 0.8 [Ir/Io])$, where Pr = revised price; Po = price in the original tender; Io = index for the month [in which the validity of the tender expires] [corresponding to the final date for submission of tenders]; and Ir = index for the month [corresponding to the date of receipt of the letter requesting a revision of prices] [in which the revised prices take effect].

the contract, and the situation in the relevant economic sector. A major aspect of contract management was to find solutions together with all contracting parties when problems were identified. If no corrective action or solution was possible, the organization could apply liquidated damages or terminate the LTA.

86. A total of 51 per cent of the sample contracts analysed contained liquidated damages clauses, 97 per cent had clauses covering amendment or modification of the LTA, and 100 per cent had clauses related to the termination of the LTA contract. The Inspectors concluded that standard contractual clauses covering the administration of amendments and contract termination were well covered by United Nations organizations. However, only half of the sample contracts analysed had clear and explicit liquidated damages clauses. Organizations should therefore carefully assess the applicability of liquidated damages in each LTA and incorporate such clauses where useful.

87. In the EC, following contract termination in the case of multiple LTAs in cascade, a risk assessment regarding the security of supply and an economic analysis had to be carried out before deciding to continue the existing LTA with only one contractor. In the case of multiple LTAs with secondary bidding, termination with one contractor could result in less competition and/or a higher risk of collusion between the remaining contractors. The EC advised that in the case of only one contractor remaining, the LTA had to be terminated, as the mini-competition process no longer worked, and that there should be more contractors from the beginning to limit this risk.³⁵

88. Implementation of the following recommendation is expected to improve the effectiveness of contract management in the United Nations system.

Recommendation 2

Executive heads should implement a policy to ensure that for every LTA a contract management plan is developed that clearly defines the contract work breakdown structure, roles and responsibilities of all parties involved, and control and accountability mechanisms. Detailed guidelines, methods and tools (including appropriate clauses and contractual mechanisms) must be provided to the contract managers.

³⁵ European Commission, circular, p. 16.

V. COLLABORATION AMONG UNITED NATIONS ORGANIZATIONS

89. It is widely recognized across the system that coordination and collaboration among United Nations organizations can serve to reduce duplications and increase synergies, thus enabling the United Nations to be more efficient and effective. This is a mandated priority for United Nations organizations³⁶ and applies also to the area of procurement, in particular LTAs. The General Assembly has encouraged extending participation and improving the level of cooperation, coordination and information-sharing among the organizations of the United Nations system with respect to procurement activities in order to achieve economies of scale and eliminate duplication of work.

Common United Nations procurement at the country level

In September 2012, the Procurement Network produced updated guidelines entitled “Common UN Procurement at the Country Level”. The Inspectors noted that those recent guidelines contained useful information to support cooperation on procurement, especially through LTAs, among United Nations organizations. They are aimed at being practical, with a focus on implementation and inclusion of tools and step-by-step instructions. While the guidelines were targeted at country offices, the Inspectors found them to provide valuable information for planning and implementing collaborative strategies for LTAs at headquarters level as well, and suggest that organizations use the guidelines to complement their internal policies and procedures.

90. Experience in the United Nations system has shown that investing in common procurement initiatives and cooperating in procurement will pay off, and empirical studies on the impact of joint procurement in the public sector have shown savings of up to 10 per cent.³⁷ The Inspectors found that, even if collaborative procurement was not implemented systematically, there were benefits to be gained from ad hoc initiatives in common procurement.

Models for collaboration through LTAs

91. The Inspectors observed that there was no one single best model for collaborative procurement. The choice followed from the procurement planning and strategy development exercise, in which the areas for collaborative procurement would have been identified and the costs and benefits of each model measured.

A. JOINT PROCUREMENT

92. Through interviews and the questionnaire, the Inspectors collected information on joint LTAs established by United Nations organizations, that is, LTAs established through a joint solicitation process. The Inspectors identified the main steps of the process as follows:

- (a) Based on their procurement plans and analyses, organizations identified the goods and/or services most suited for joint LTAs and established their expected overall volume;
- (b) A common procurement team (CPT) was established for the good or service to be procured jointly. It included procurement staff from each organization that wished to participate;
- (c) The CPT designated a lead organization which managed the solicitation process, applying its procurement procedures. The decision on which should be the lead agency was based on whether the organization taking the lead had the required capacity and resources (as the process often drew on internal resources only);
- (d) The CPT agreed on the specifications. It was essential that the end users (that is, technical counterparts/requisitioners) were involved in this phase;

³⁶ See General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system.

³⁷ Procurement Network of HLCM, Common UN Procurement at the Country Level (September 2012), p. 1.

- (e) The CPT decided whether to have one LTA contract for all the organizations, or individual, separate contracts with the chosen supplier, and clearly stated this in the solicitation documents. If there was only one LTA, it was managed by the lead agency. Otherwise, each organization was responsible for establishing and managing its own LTA. Usually each organization made a separate contract after the conclusion of the bidding;
- (f) Roles and responsibilities for contract management were clarified from the start of the process.

93. The Inspectors noted that this model potentially offered significant rewards. It enabled aggregation of demand across organizations and volume leverage, and improved the United Nations negotiating position for better price discounts, preferential terms and better service. It especially benefited smaller organizations which did not have large volumes or procurement expertise and capacity. It also provided organizations with the opportunity to share good practices and lessons learned. However, the model required a significant initial investment of time and resources, and could pose certain challenges.

94. Recent cargo insurance³⁸ and death and disability insurance³⁹ initiatives were given as examples of joint procurement initiatives that come close to being system-wide. UNFPA officials informed the Inspectors that they were undertaking joint LTA tenders with UNDP for the procurement of census equipment, and with UNICEF for hospital furniture and medical equipment. Overall, the Inspectors found that system-wide collaboration through the use of LTAs was limited. They noted that experience thus far with joint LTAs was more positive with CPTs based in the same geographical location, as United Nations organizations found it less time and resource intensive to come together and agree on specifications and ways of proceeding. In addition, joint procurement of items through the local market was easier and more straightforward for some items, such as office supplies, travel management services, furniture, electricity, cleaning services and building maintenance services, than for other items, for example those that required consolidation and standardization of complex technical specifications.

Good examples of geographically based common procurement practices

Rome

The Rome CPT⁴⁰ prepared 19 joint tenders in 2010, with an estimated value of over US\$ 22 million. Joint volume estimates attracted more bidders and there were both direct financial savings and indirect savings. The CPT met its savings goal of US\$ 750,000 for the year through Adobe licence tenders (savings ranging from 28 to 40 per cent), a tender for computers (5 per cent savings), a new stationary supplier (up to 40 per cent savings on some items), a contract for mobile phones (estimated savings of US\$ 150,000), and others.⁴¹ It also facilitated exchanges and lessons learned between procurement and requisitioners across the agencies. By the end of 2012, all three Rome-based agencies were using the same electronic tendering software and the UNGM supplier registration website for compiling their vendor database.

Geneva

The Common Procurement Activities Group (CPAG) negotiated significant price discounts through LTAs on items such as travel agent services, electricity, water, mail and courier services, mobile telephone services and many more. In 2011, it was estimated that CPAG-negotiated airfare rates avoided costs of over 8 million Swiss francs for 11 of its members. The rates would not have been as favourable had the members negotiated with airlines individually. The total cost avoidance through joint LTAs for 2011 was estimated at approximately US\$ 30 million. In 2012, the CPAG collaborated, with impressive results, on some 14 procurement projects. Significant benefits were achieved in the areas of information and communications technology, office supplies, paper and other goods and services.⁴²

³⁸ Joint efforts of FAO, UNDP, UNFPA, UNICEF and UNOPS.

³⁹ Joint efforts of UNDP, UNFPA, UNICEF and UNOPS.

⁴⁰ Members are WFP, FAO and the International Fund for Agricultural Development.

⁴¹ Common Procurement Team, "Self-Assessment of the 2010 Pilot" (April 2011), p. 2.

⁴² CPAG, draft annual report for 2011, p. 15.

Copenhagen

The Copenhagen-based agencies successfully established joint LTAs for freight forwarding and shipping insurance. These contracts were not limited to Copenhagen but rather open to use by regional and country offices and other United Nations organizations. For example, FAO was part of the joint solicitation for shipping insurance. Joint procurement has allowed for much better rates than would have been negotiated individually by the organizations. In addition, the Copenhagen-based agencies also plan to jointly procure, inter alia, cleaning services and electricity.

95. The Inspectors observed that collaboration through joint LTAs in New York between the headquarter offices of the United Nations Secretariat, UNDP, UNFPA and UNICEF was minimal. Travel management services and mail and pouch services were jointly procured by several of the organizations, with the United Nations Secretariat as the lead agency. Otherwise, collaboration tended to be limited to piggy-backing on each other's LTAs.

Challenges

96. A number of challenges to joint procurement and to collaborative procurement in general were identified by the Inspectors through interviews and the questionnaire. The different procurement procedures and rules in the system form barriers and limit the application of collaborative procurements. However, some obstacles are not related directly to rules and procedures but to the operating culture of the organizations, which may not allow open cooperation, instead favouring strict organizational control. In this context, some barriers are: the differences in operating philosophy between highly centralized and decentralized procurements; differences in funding modality (for example, advance payments); and lack of alignment in IT systems and in accounts payable systems.

The time-consuming nature of consolidation of specifications

97. The majority of interviewees, especially requisitioners, highlighted the time taken up in consolidating specifications as the main obstacle to having joint LTAs. It often took a long time to reconcile the competing views and needs of United Nations organizations, especially as they varied greatly in size, structure and mandate. To quote one interviewee: "Everyone says they have different requirements. If you ask five different IT departments for their required specifications for an office desktop, you will get five completely different answers." Some interviewees mentioned that the efficiencies and savings to be gained through a joint LTA were undercut by the time and resource-intensive process of consolidating specifications (which in some cases took one to two years).

98. Nonetheless, for the offer to be attractive to the supplier, it was important that the goods and services to be jointly procured be the same, to the extent possible. However, it was still possible to send out a joint solicitation when requirements were different, as long as the solicitation documents clearly specified that the United Nations organizations involved were jointly soliciting for their requirements to reduce administrative costs and obtain discounts on the basis of aggregated estimates of their volume. Annexes clearly defining each organization's specific technical requirements, and indicating the likely volume for each item or item category requested, had to be included.

Inefficiencies created by the practice of awarding separate contracts after the process

99. Common practice thus far in the United Nations system has been for the organizations to put forward a joint procurement but then each have a separate contract with the chosen supplier once the tender process was completed. The CPT presented itself to the market as one entity during the tender process but broke off into separate entities to sign and manage the LTA contract.⁴³ For example, CPAG members concluded an LTA in 2011 for travel management services, and each organization proceeded to sign individual contracts

⁴³ CPT, "Self-assessment", p. 5.

with the contractor with different travel policies. Interviewees mentioned that this additional complexity contributed to the contractor making several booking errors at the start of the LTA. Furthermore, feedback from suppliers to the Rome CPT on the process was that they found it confusing.

100. The Inspectors noted that this put bidders in an unfair position, as at the time of contract award, the bidder could receive only one award and had to negotiate additional contract terms with other organizations of the joint procurement. It acted as a disincentive to competitive bidding and could harm the credibility of the organizations. In Copenhagen, a joint bid for health insurance resulted in the supplier offering the agencies different prices, some more favourable than others. Interviewees explained that suppliers dominated the market and were aware of the fragmented United Nations policies.

101. The Inspectors found that one solution was to have the lead agency sign and implement the contract for all organizations participating in the bid. The Inspectors noted that the World Bank and the EC often acted as lead agency for joint procurement in their respective locations. These organizations had a memorandum of understanding with their geographical counterparts⁴⁴ and as the lead agency they signed and managed the contract on behalf of the other organizations.

Different general terms and conditions of contract

102. Even when United Nations organizations conducted procurements individually, their general terms and conditions of contract (GTCs) at times presented an obstacle to the conclusion of LTAs. Several interviewees said they had experienced difficulties in getting suppliers to agree to their organization's GTCs, especially with the liability clauses, and that sometimes suppliers pulled out of the bid as a result. Interviewees from the EC explained that they previously had unlimited liability clauses but found they received insufficient bids because of these. As a result, they introduced limited liability clauses worth three times the value of the contract.

103. Interviewees mentioned that different GTCs across organizations complicated contract negotiations and made delivery harder for suppliers. It could lead to suppliers agreeing to one set of GTCs but not to the other. A lesson learned has been to attach to the tender document the GTCs of all the organizations participating in the joint procurement exercise, so that the bidders are aware of them from the beginning.

104. However, the Inspectors noted that a common contract with a single set of agreed-upon GTCs would represent true harmonization and make the joint tendering process more efficient and effective. It would involve an analysis of common mandatory requirements and alignment of liabilities. The Rome CPT recommended to its Inter-Institutional Coordination Committee that "senior management from the [agencies] direct each organization's Legal Office to work closely with the CPT Officers to develop a common contract".⁴⁵

105. In addition, the Procurement Network's Working Group on Harmonization has undertaken an exercise to consolidate the GTCs of the Procurement Network members. A proposal was put forward to the HLCM Legal Network for endorsement, but interviewees mentioned that it was unlikely to be endorsed any time soon. An alternative proposal is that all United Nations system organizations use the GTCs of the United Nations Secretariat. The Inspectors strongly suggest **the development and use of a common contract and common GTCs to facilitate collaborative procurements. Noting the benefits of harmonized general terms and conditions of contracts, the inter-agency Legal Network is strongly encouraged to expedite the work directed towards harmonizing the general terms and conditions of contracts based on common risks of the United Nations organizations.**

⁴⁴ For the World Bank, these were the other institutions of the World Bank Group and PAHO, and for the EC, they included the seven official institutions of the European Union (the European Parliament, the European Council, the Council, the European Commission, the Court of Justice, the European Central Bank and the Court of Auditors) and some others.

⁴⁵ CPT, "Self-assessment", p. 6.

Separate in-house reviews of contract awards

106. After a joint procurement exercise, in many organizations the committees on contracts are required to review the contract in addition to the review of the lead agency's committee on contracts. Interviewees said that in practice, separate secondary reviews by individual organizations significantly lengthened the process and acted as a disincentive to suppliers. One solution was for organizations to have separate contracts but to waive the secondary in-house procurement review. In September 2011, the Procurement Network recommended to its members that they specify the conditions under which a secondary procurement review may be waived. However, less than half (43 per cent) of the organizations responding to the JIU questionnaire said they had the waiver in place. The Inspectors noted that, in the case of the secondary procurement review waiver, it was good practice for the lead agency to include the other organizations in its review process as observers or participants.

Waiver of secondary review by the contract review committee

The FAO Procurement Manual specified that joint solicitations were subject only to the review requirements of the lead agency (p. 39). It included a provision for FAO staff to reuse the tender results of another United Nations organization provided that the award was made within the previous year, the requirements and the supplier's offer were substantively the same, and the supplier accepted the terms and conditions of FAO.

107. Another solution was to establish a joint/common procurement review committee. The Inspectors believe that such a committee, with harmonized policies and integrated procedures, would facilitate United Nations collaboration in procurement. This was recommended by the Rome CPT, which suggested that senior management consider "putting in place ... a streamlined/harmonized award procedure for CPT contracts" and "a single delegated contract signature".⁴⁶

108. The barriers presented by different procurement procedures and rules may limit the application of joint committees, as committee members would need training in the procurement process of other organizations. Furthermore, organizations' procurement regulations and rules need to allow for joint procurement, and the application of the procurement regulations and rules of the lead agency. Differences in the levels of delegation of procurement and/or financial authority also pose limitations for collaboration, particularly at the field level. Another concern raised during interviews was that certain organizations were not in favour of waivers for secondary reviews due to concerns associated with the levels of internal controls and accountability. All these pose obstacles for effective collaborative procurement; however, with close collaboration and enlarged participation in the process, and harmonization of rules and procedures, these limitations can be overcome.

Way forward

109. Only 32 per cent of the organizations responding to the questionnaire thought that the current level of inter-agency collaboration in the use of LTAs was sufficient. Table 8, listing the "top 10" items (in terms of value in United States dollars) procured by United Nations system organizations during 2011,⁴⁷ shows that the procurement spend of the organizations had significant similarities and was concentrated on several items. The table gives the number of organizations which had the particular good or service in their top 10 areas of procurement spend. Table 9 lists the goods and services most frequently proposed for joint LTAs by organizations who responded to the JIU questionnaire. The two tables show a number of areas in which United Nations system organizations could jointly procure. As seen in the tables, many of the top 10 procurement items in the system are suggested by organizations as potential areas for collaborative procurement through joint LTAs.

⁴⁶ CPT, "Self-assessment", pp. 6 and 7.

⁴⁷ From UNOPS, 2011 Annual Statistical Report on United Nations Procurement, pp. 103-108.

Table 8: Top 10 goods and services procured by the United Nations system⁴⁸

Goods and services	Number of organizations having this good/service in their top 10 areas of procurement spend
IT hardware and software	10
Building/machinery maintenance and repair	8
Construction, engineering and architectural services	8
Leasing of buildings and equipment	7
Travel	7
Printing and publishing services	6
Vehicles (and spare parts)	6
Medical equipment	6
IT consulting services	5
Conferences and workshops	5

Table 9: Top 10 goods and services proposed by the organizations for joint long-term agreements⁴⁹

Top 10 goods and services proposed for joint LTAs	Number of organizations that proposed this good/service for joint LTA
IT hardware	8
Vehicles (and spare parts)	7
Software licenses	7
Office furniture	6
Travel management services	5
Office supplies	5
Cleaning services	4
Security services	3
IT consulting services	3
Training	2

110. Interviews and the questionnaire responses reflected the potential for the United Nations organizations to do more in terms of collaborative procurements,⁵⁰ in particular through the use of joint LTAs. Most system organizations expressed their willingness to have more joint LTAs in many areas, particularly in the areas of IT hardware, software and vehicles. In the case of ERP maintenance licenses, several organizations mentioned that volume aggregation for a bigger discount would benefit all, but recognized that the market was monopolistic, with two companies dominating the market and dictating terms and conditions. Some organizations that have tried to get discounts applied across the United Nations system have had their requests refused by the suppliers. This was on the grounds of United Nations organizations having separate governing and legislative bodies and not operating as one single financial entity. Interviewees also mentioned that organizations operated within different time frames and that this inhibited joint procurement, as they were not all ready to bid at the same time. The Inspectors encourage the organizations to persevere in their coordination and negotiation efforts in the area of software licenses.

⁴⁸ Ibid.

⁴⁹ Information provided through responses to the JIU questionnaire.

⁵⁰ “[The United Nations System Chief Executives Board for Coordination], through the HLCM Procurement Network, should proactively identify, initiate and maximize the development of collaborative procurements among the organizations with a view to leveraging the total buying power of the United Nations system. To this end, the Procurement Network should have a regular agenda item on discussing and identifying further opportunities.” (JIU/NOTE/2011/1, recommendation 17.)

High-level Committee on Management initiative for the joint procurement of vehicles

When the Inspectors met with the Procurement Network in 2010, it had established a group to look into the issue of collaborative procurement of vehicles by United Nations organizations. The rationale for this was that the United Nations spent US\$ 300 million per year on vehicles through a variety of different LTAs and spot purchases. There was an opportunity for the United Nations to increase economies of scale and reduce duplication through consolidation and further collaboration. The Inspectors in the JIU note on procurement reform recommended that the organizations speed up their collaboration efforts to develop a common vehicle procurement strategy.⁵¹

At the time of preparation of the present report, the project on collaborative procurement for vehicles still had not been completed. The project adopted a phased approach to enable the progressive development of an overall vehicle procurement strategy: the first phase entails data gathering and a feasibility study, which will build the overall business case, and the second entails the preparation and adoption of a consolidated vehicle procurement framework. The final phase of the project is the delivery and implementation of the framework and a new way of buying vehicles in the United Nations system. The completion of phase one was planned for the first quarter of 2013. The Inspectors suggest speeding up the initiative.

111. The Inspectors recognize a role for the larger United Nations organizations to play in taking the lead on joint procurement. **United Nations organizations with large procurement volumes should circulate their procurement initiatives to other system organizations before the tender process, in order to gauge the interest of the others in joining the procurement and to facilitate their participation.** This practice is already implemented by the EC.⁵²

112. The risks faced by United Nations organizations when devoting time and resources to the consolidation of specifications, and when using a single contract, the same GTCs, and/or harmonized award procedures, should be weighed against the risks of not maximizing the benefits of joint procurement. Only one third of system organizations (33 per cent) said they undertook analysis of the costs and benefits of collaborating with other United Nations organizations (see annex II). Having a common approach to measuring the costs and benefits of common procurement across the United Nations system would facilitate decision-making in this regard.

B. USING EXISTING LONG-TERM AGREEMENTS OF OTHER UNITED NATIONS ORGANIZATIONS (“PIGGY-BACKING”)

113. In interviews and responses to the questionnaire, United Nations organizations indicated frequent use of other organizations’ LTAs, for example in the areas of travel management services, paper, stationery, cleaning, security, IT equipment, hotel and lodging, banking, telephony services, printing, mail and courier services, advisory services and office furniture. However, there were not usually concrete statistics regarding piggy-backing. The organization wanting to piggy-back could either purchase directly against the LTA, or use the other organization’s solicitation results to establish its own LTA with the supplier.

114. Through interviews and the desk review, the Inspectors identified the main benefits and challenges of this model as:

⁵¹ JIU/NOTE/2011/1, para. 249.

⁵² “When a procurement procedure may be of interest to several institutions, the leading institution should contact the other institutions to check their interest in participating. The leading institution should supply the others with a description of the services/supplies to be purchased by the future contract and deadline for responding.” European Commission, circular on inter-institutional calls for tenders and contracts (October 2011), p. 2.

Table 10: Main benefits and challenges of using existing long-term agreements of other United Nations organizations

Benefits	Challenges
<ul style="list-style-type: none"> ➤ Reduction in transaction costs as an additional LTA tender, review and award process was circumvented. ➤ The organization could take advantage of preferential rates already achieved. This was especially beneficial to smaller organizations which did not have the volume to negotiate big discounts ➤ The organization could leverage others' expertise in procuring certain goods or services. 	<ul style="list-style-type: none"> ➤ Establishing that the goods or services which are the subject of the primary contract are substantially the same or similar to what is required by the other agencies. ➤ The additional volume through piggy-backing was usually not taken into account for further discounts ➤ The supplier may not agree to extend the terms and conditions to other United Nations organizations. ➤ For LTAs with an NTE amount, the LTA owner could be reluctant to share the LTA if use by the other organization contributed to the NTE amount. ➤ In cases of emergency or high demand, the LTA owner had priority access to the good or service.

115. The Inspectors found joint LTAs to be favourable to piggy-backing as they provided greater negotiating power and the opportunity for volume leverage. Nevertheless, piggy-backing was found to be efficient when joint procurement was not a viable option or when the organizations wanting to piggy-back had insignificant volumes. In each case, organizations needed to assess the costs and benefits of piggy-backing, and establish that the original contract to be piggy-backed was still valid and provided a better price and conditions than a possible individual tendering. In another words, piggy-backing should not be used as a measure to avoid a competitive procurement process.

Good practices

116. The UNICEF Supply Manual included a requirement that requisitioners check existing LTAs before establishing a new LTA.⁵³ Furthermore, the Procurement Manual of the United Nations Secretariat instructs that systems contracts should generally be available for use by the entire United Nations System, unless the requisitioner provides valid reasons why they should be limited to certain parts of the United Nations System. Accordingly, United Nations Headquarters and field missions, as well as other United Nations entities, may benefit from such contracts.⁵⁴

117. **The Inspectors suggest including a clause from the beginning (either in the solicitation documents or the LTA contract) stating that “the same contractual arrangements shall be extended to other United Nations organizations”.** Only 48 per cent of the organizations responding to the questionnaire said that they systematically included a provision in their LTAs to allow use by other United Nations organizations (see annex II), and only 15 per cent of the sample contracts analysed contained such a clause.

⁵³ “Each Contracts Officer is responsible, based on procurement needs, to investigate whether an LTA issued by any other UN agency exists and is suitable for use.” UNICEF Supply Division Procedures, DP 073: Using LTAs of other UN agencies, art. 3.1.

⁵⁴ United Nations Procurement Manual (November 2011), Rev. 6, updated version 6.02, sect. 13.9, para. 9.

**Examples of clauses extending the same contractual arrangements to other
United Nations organizations**

WFP: “The contractor shall accord the same terms and conditions stipulated in this Agreement to any other entity within the United Nations system that wishes to avail of such terms, after obtaining written consent from WFP authorised officers.”

United Nations Secretariat: “The Parties acknowledge and agree that the [20] UN entities identified in Annex E to this Contract are eligible, subject to and in accordance with the terms and conditions of the Contract, to purchase such Goods and related Services as those UN entities may require...Any orders placed by these UN entities are not subject to the NTE amount given in Article 6.”

118. In interviews, the Inspectors learned of a recent case where a United Nations organization was told it would have to pay an administrative fee to the owner of the LTA on which it wanted to piggy-back. This was particular unfair given that the requesting organization openly shared its LTAs with other system organizations. The Inspectors advise that United Nations organizations consider not charging any fees to others for piggy-backing on their LTAs.

119. In interviews, the Inspectors heard of many cases where piggy-backing was done without informing the LTA owner – organizations went directly to the supplier. The Inspectors advise organizations wanting to piggy-back to check whether the particular LTA followed a competitive procurement process, and that the terms and conditions (including price) are up to date. The requisitioners should also contact the LTA owner to obtain the latest copy of the contract and confirm the terms and conditions.

120. The Inspectors noted that most United Nations organizations did not systematically record, and were not aware of, which contracts they themselves were piggy-backing on, and who was piggy-backing on their contracts. There could be missed opportunities for volume aggregation and joint procurement due to lack of information and communication in the system. Therefore, the Inspectors suggest that United Nations organizations regularly share among themselves detailed listings of their LTAs, so that opportunities for piggy-backing and/or joint procurement become more visible. System organizations should also be aware of who is piggy-backing on their LTAs and the level of volume used. Piggy-backing information and statistics should be recorded and reported for further monitoring, analysis and lessons learned.

121. “Tiered-pricing mechanisms” enabled United Nations organizations to use volume leverage after contract award. It allowed for the volume of the organizations piggy-backing on the LTA after contract award to be considered for progressively bigger discounts. Interviewees shared some examples of LTAs which had these mechanisms inbuilt. The contracts specified different prices for different volumes. When other organizations wanted to piggy-back, their volume was added and, if it made the higher tier, a lower price was given by the supplier. Therefore **the integration of relevant clauses into LTAs for piggy-backing and tier-pricing should be considered to facilitate the achievement of further efficiencies.**

C. OUTSOURCING TO AND PROCURING FROM OTHER UNITED NATIONS ORGANIZATIONS

122. The Inspectors found that, under certain circumstances, a United Nations organization requested another system organization to carry out certain procurement activities on its behalf. This could be done through the establishment of a memorandum of understanding or partnership agreement for collaboration. The agreement defined the scope and terms under which certain goods or services were to be procured and could have an extended lifetime. Interviewees mentioned that this model was useful when the goods or services to be procured were the core commodities of the other United Nations organization, or when the latter had the required items in stock.

123. The Procurement Network recommended that the secondary procurement review be waived in these instances. It identified the main disadvantage of the model as a loss in control over the procurement process. The Inspectors noted that handling and buffer fees could be charged for the procurement, reflecting the administrative overheads and project management services involved in procuring and delivering the goods or services. However, the HLCM advised that these fees not be considered as additional costs to the requesting organization, as it would also have incurred costs for conducting the procurement.

124. Furthermore, particularly for those headquarters and country offices situated in the same location, organizations with small procurement volumes should consider outsourcing completely their procurement activities to larger organizations. This would provide significant savings to those organizations with smaller procurement volumes.

D. INFORMATION SHARING

125. The Inspectors deemed the minimal level of collaboration to be information sharing among United Nations organizations. They found that there was no standardized approach to information gathering and sharing for LTAs in the system. The Inspectors identified significant room for improvement in sharing vendor rosters, information regarding potential suppliers, and the LTA tenders and contracts themselves.

126. All United Nations organizations identified UNGM as the system-wide platform for information sharing. However, in interviews and responses to the questionnaire, the majority of the organizations said that they did not use UNGM for sharing information on LTAs. Only 43 per cent of the organizations responding to the questionnaire said that they listed their LTAs on UNGM (see annex II). The Inspectors found the UNGM to be underutilized. As at November 2012, 14 organizations had posted LTAs on UNGM, of which 10 were JIU participating organizations. There were 678 LTAs posted; 64 per cent of those had expired.

127. For various reasons, such as confidentiality of contract issues (pricing, for example), some organizations or vendors do not wish to share certain LTAs with all other organizations. This has led to the publishing on UNGM of a list of LTAs, rather than the individual contracts themselves. Another reason for not using UNGM was that it was not integrated with the organizations' ERP systems. Several organizations, such as the United Nations Secretariat and FAO, mentioned that they were looking to interface their IT systems with UNGM. In addition there was no commonly agreed guidance or rules on how and what to publish on UNGM. During interviews, many officials did recognize the potential to do more with UNGM in the area of LTAs; for example, United Nations organizations could share their procurement plans and LTA contracts and identify opportunities for collaboration. The development of a dynamic LTA portal for procurement staff to access LTA contracts in a rapid manner would facilitate the sharing and optimum utilization of LTAs. Furthermore, given the procurement volumes of United Nations organizations, they should be in a position to set up a system-wide web-based procurement application after having established and agreed to common business rules. This LTA portal could be modelled on the same approach used by UNOPS in their UN Web Buy service.

E. PROCUREMENT NETWORK EFFORTS IN HARMONIZATION AND COLLABORATIVE PROCUREMENT

128. The Procurement Network management board informed the Inspectors that recently (September 2012) it had conducted a strategic forward planning exercise to identify and prioritize objectives and agree on work plans. Within the framework of "harmonization", the following were identified as areas of priority:

(a) Harmonization of key procurement documents and policies, including tender documents, general terms and conditions, templates, ethics standards, contract forms and other related documents;

(b) Guidance on common LTA templates and frameworks for use and accessibility, and to facilitate piggy-backing.

129. The Procurement Network submitted a project proposal, entitled “HLCM Procurement Network Procurement Process and Practice Harmonization in Support of Field Operations, Phase II”, for consideration by the HLCM Harmonization of Business Practices Steering Committee. The timelines and costs of the proposal were approved. One of the outputs under phase II of the project is an assessment of “...the feasibility and benefits of harmonizing standard solicitation documents, model contract templates and general terms and conditions of UN organizations” (p. 2). Phase III, which is anticipated in early 2014, will have as an output the “harmonization of specific documents, follow-up on implementation of decisions of earlier project phases” (p. 4).

130. The Procurement Network management board explained that the Procurement Network was a relatively informal special interest group focusing on policy issues of common concern. However, when it made proposals for change in relation to documents of a legal nature (general terms and conditions, for example), the approval process for any modifications would include a review by the inter-agency Legal Network. In the context of Delivering as One (phase II), the HLCM and the United Nations Development Group agreed to do more at the country level. In this context it was agreed to undertake a change management review with a view to including an expansion to a global level of achievable procurement efficiencies (for example, vehicle procurement). An additional request was also made to the Procurement Network to address collaborative procurement and delivery of ERP systems, IT, insurance, security equipment, communications, food and medicine.

131. It is noted that the work undertaken by those who represent member organizations in the Procurement Network is supplementary to the normal duties of their post in their organizations. The Procurement Network management board commented that many organizations did not allow their Procurement Network representatives to include their work in the network as part of their annual performance objectives. Faster implementation of “harmonization” activities would require the allocation of additional financial resources and the agreement of organizations that their staff dedicate time for this activity.

132. The Inspectors are of the opinion that Procurement Network can play a key role in harmonization and collaborative procurement initiatives, which would significantly increase the efficiency of procurement activities. Procurement is a major expenditure category and plays a crucial role in the achievement of the operational objectives of the United Nations organizations. Therefore the Inspectors recommend that executive heads of the organizations support the harmonization and collaborative procurement efforts of the Procurement Network and take the necessary measures to strengthen its delivery capacity. To this effect they should recognize and support the participation of their staff in the Procurement Network and consider establishing a core dedicated capacity for the network. Initially a dedicated capacity can be established on a pilot basis. A final decision can be taken based on a review of the pilot experience.

133. Implementation of the following recommendations is expected to enhance coordination and cooperation among United Nations organizations through the use of LTAs.

Recommendation 3

Executive heads should proactively pursue collaborative LTA opportunities through various methods, including establishing/improving policies and guidelines to facilitate collaboration, circulating LTA tenders which could be of interest to other organizations, listing their organization’s LTAs on UNGM, and seeking up-to-date information on available LTAs in the United Nations system.

Recommendation 4

The executive heads of the organizations should support the advancement of the work of the HLCM Procurement Network on harmonization of procurement documents, collaborative use of LTAs, and joint procurement of vehicles. They should also facilitate the work of the Legal Network to expedite their efforts towards harmonizing the general terms and conditions of contracts.

VI. CONCLUSION

134. The objective of the present review was to assess the relevance, efficiency and effectiveness of the use of LTAs within the United Nations system. It found that overall, there was evidence to suggest that the use of LTAs in the system was relevant and, to some extent, efficient and effective. The Inspectors collected numerous examples of monetary and non-monetary benefits of LTAs being realized by different United Nations organizations. Most prevalent were examples of how LTAs created administrative efficiencies (and reduced administrative costs) for goods and services required on a regular basis, by consolidating recurrent procurements into a single one. They also allowed for demand aggregation both within an organization and across the United Nations system for greater volume leverage and best value for money. Moreover, LTAs could be used to ensure that the necessary quality and/or technical standards were applied across the organizations. These confirmed benefits of LTAs had resulted in an increased use of LTAs and a higher procurement spend through LTAs by United Nations organizations.

135. However, the Inspectors identified several potential risks associated with policies and practices in the use of LTAs in the United Nations system, which could erode the potential benefits. Lack of specific policies and data on the use of LTAs in the United Nations system organizations limited the assessment of the overall efficiency and effectiveness of these types of contracts. Organizations, in general, lack policies regarding when and how to use LTAs, and they also have inadequate procurement planning, strategy development and contract management capabilities. The inability of organizations to strategically establish and manage LTAs, and monitor and assess their outcomes, could reduce their capacity to fully realize the potential benefits of LTAs.

136. Benefits are not guaranteed by simply establishing an LTA, and not all benefits are harnessed by each LTA. Unless the decision to establish an LTA was made in accordance with specific LTA policies and following cost-benefit analysis and careful procurement planning and strategy development, there could be missed opportunities for using LTAs or misuse of LTAs. The Inspectors found that a comprehensive procurement spend analysis ensured the relevance of LTAs and also contributed to enhancing the efficiency and effectiveness of the procurement function. The Inspectors highlight the importance of risk analysis and risk management in the use of LTAs. They found contract management to be critical in reducing the potential risks associated with LTAs and ensuring their efficient and effective use. It allowed for the monitoring of supplier performance; market conditions and prices; the utilization level; and the achievement of objectives under the LTA.

137. The use of LTAs should be planned and strategized as a whole process, including managing the procurement process, conducting a needs assessment, facilitating demand aggregation, conducting market analysis, reaching out to a greater pool of available vendors, ensuring effective competition, assessing and managing risks and effectively managing contracts. Having general rules and procedures alone cannot guarantee the expected benefits. High-value procurements, in particular, would benefit from a formal planning process and the establishment of a specific team for procurement and contract management. Ensuring effective competition for the LTAs is essential to achieve the expected cost savings in these contracts. Considering the long-term duration and high-value nature of LTAs, lack of competition could aggravate inefficiencies. Further, piggy-backing on these contracts may exacerbate the problem of inefficiency.

138. Recently, in a major United Nations organization, acquisition and contract management of long-term air charter services agreements, which constituted a significant part of total procurement, were audited by its internal oversight body. The oversight body found that although a regulatory framework was in place, the governance, risk management and control processes examined were unsatisfactory in providing reasonable assurance regarding the efficient, cost-effective and timely acquisition and contract management of the agreements. Tightly specified air charter requirements, coupled with inadequate procurement lead times and an ineffective vendor registration process, hindered effective international competition. This

exposed the organization to a high risk of acquiring air charter services at a higher cost than necessary. Further, there was no risk management and strategic planning framework in place for the acquisition and contract management of long-term agreements for air charter services.

139. The Inspectors noted that United Nations organizations should assess their capacity to implement and manage LTA contracts during the procurement planning and strategy development phase. Proper planning and strategy development ensured the efficiency and effectiveness of LTAs. It also enabled United Nations organizations to identify opportunities for collaboration through joint LTAs, piggy-backing, information sharing, and so on. Collaboration across the system through LTAs served to reduce duplication and increase synergies, thereby further enhancing efficiency and effectiveness in the use of LTAs.

140. Therefore, the Inspectors concluded that the use of LTAs by United Nations organizations (and their procurement activities in general) should be based on LTA-specific policies, cost-benefit analysis, and systematic procurement planning, spend analysis and strategy development exercises. When procurement functions had a clear idea of the strategic organizational needs/objectives their procurement activities were serving, they were better positioned to implement and manage procurement contracts to meet the needs. It allowed them to maximize the relevance, efficiency and effectiveness of their activities.

141. The Inspectors noted however that, in the United Nations system, procurement was generally viewed as a transactional, back-office function instead of a strategic one. Yet, given the importance and amount spent on procurement in the system (US\$ 14.3 billion in 2011), making procurement more strategic could deliver additional benefits to United Nations organizations and better assist them in achieving their objectives.

142. Most United Nations organizations allocated resources and gave directions to their procurement functions solely on the basis of historic or anticipated procurement volume. They did not take into account the resources and capacity required for, inter alia, procurement planning and strategy development, and contract management. The Inspectors noted that, without strong oversight from the legislative/governing bodies and commitment from senior management, the transition to more strategic procurement cannot be made. The Inspectors are of the opinion that procurement should be a standing agenda item of legislative/governing body deliberations.

Conclusions from previous procurement-related notes produced by the Joint Inspection Unit

143. The JIU has produced two other procurement-related notes in the past five years: one on procurement reforms in the United Nations system (JIU/NOTE/2011/1) and one on corporate consultancies in United Nations system organizations (JIU/NOTE/2008/4). The findings of the present report corroborate and complement those of the two previous notes. Both notes included the various aspects of procurement function and activities and made recommendations for improvement. The note on procurement reform, for example, stressed the importance of procurement analysis and implementing a dynamic strategy to guide procurement activities. It discussed the need for the procurement function to be structured in a way that promotes a more proactive and strategic role, and for resources to be provided on a par with its importance. It also reviewed general procurement policies, reform issues, sustainable procurement and inter-agency collaboration. The corporate consultancy note stressed the importance of contract management and made a number of recommendations for improvement. Both notes also highlighted the need for regular professional training of procurement staff.

144. The Inspectors believe that United Nations organizations implementing the recommendations contained in the two previous JIU notes and in the present report will greatly enhance the relevance, efficiency and effectiveness of procurement across the United Nations system. Therefore organizations should ensure the implementation of recommendations contained in the notes and in this report.

Oversight role of legislative/governing bodies

145. Procurement is one of the most important and visible tools for organizations to use in the achievement of their strategic objectives. Therefore the procurement function should be considered a strategic function and procurement activities should be carried out based on a plan and strategy. The procurement function and procurement activities should be an integral part of the overall corporate plan and strategy development. In this context, it is imperative that legislative/governing bodies, as the main stakeholders of the organizations, exercise their oversight role on the procurement function and procurement activities. To this effect executive heads should report regularly to their governing bodies on these issues.

146. Implementation of the following recommendation is expected to improve the effectiveness of the use of LTAs in the United Nations system.

Recommendation 5

The legislative/governing bodies should exercise their oversight role on the procurement function and procurement activities with a view to ensuring that the procurement function adequately fulfils its strategic role and that procurement activities, including LTAs, are carried out based on sound procurement plans and strategies.

Annex I: Evaluation methodology

The Inspectors triangulated data collected from the following quantitative and qualitative methods:

- (a) A **desk review** was conducted to obtain objective data through a review of POs' documents, including policy documents related to LTAs, procurement statistics, documents posted on PO websites, procurement manuals, LTA contract templates, procurement plans and other guidelines and tools, and inter-agency reviews of common procurement.
- (b) **Detailed questionnaires** were sent to all 23 POs covered by the review to map the policies, structures and activities being undertaken to effectively use LTAs in the United Nations system. A single response was sought on behalf of each organization. The Inspectors received responses from 21 organizations⁵⁵ – a 91 per cent response rate.
- (c) The Inspectors conducted **in-person interviews**, on the basis of the questionnaire responses received, with procurement officials and requisitioners from several POs to seek their views on the relevance and use of LTAs in their organization, policies and processes related to LTAs, roles and responsibilities, and successes and challenges in the use of LTAs. Fifty-five such interviews were conducted by the Inspectors with the POs; 23 with procurement officials and 32 with requisitioners.
- (d) **Comparator organizations** from outside the United Nations system, recognized as having good policies and practices in the use of LTAs (such as the World Bank and the EC), were also interviewed.
- (e) **Missions** were undertaken by the Inspectors to New York, Rome, Copenhagen, Vienna, Paris, Washington, D.C. and Brussels. These locations were chosen as they are host to the procurement departments/units of the United Nations Secretariat (New York), FAO, WFP (Rome), UNFPA, UNDP, UNICEF, UNOPS (Copenhagen), United Nations Educational, Scientific and Cultural Organization (UNESCO), Organisation for Economic Co-operation and Development (Paris), World Bank (Washington, D.C.) and the EC (Brussels), and would enable the widest possible coverage of POs.
- (f) **Checklists** were used as part of a systematic review of sample contracts provided by the POs. The POs were asked to send to the JIU their top five (in terms of monetary value) LTA contracts that had expired in the previous two bienniums (2008-2011). Twelve POs⁵⁶ provided copies of their LTA contracts, for a total sample of 51 contracts. The analysis examined what provisions were contained in each contract in a number of areas and sought to identify good practices in contractual clauses.

The evaluation methodology had two main limitations:

- (a) The first was that, given resource and time constraints, the Inspectors could not undertake missions to field offices of the organizations. Considering that organizations increasingly decentralize their procurement activities, this was a serious limitation. It was not possible to examine implementation at the field level and identify experiences, lessons learned and problems of field staff on these issues.
- (b) The lack of detailed statistics on LTAs (such as total number and volume, LTAs established in headquarter and field offices, breakdown by procurement category and by departments and country offices), level of utilization under the LTAs, joint LTAs, use of other organizations' LTAs (piggy-backing), performance of LTAs and other key indicators hampered to some extent analysis of the efficiency and effectiveness of LTAs.

⁵⁵ The Universal Postal Union and the World Intellectual Property Organization did not send a questionnaire response.

⁵⁶ They were the United Nations Secretariat, FAO, IAEA, ICAO, ILO, UNAIDS, UNDP, UNESCO, UNICEF, the United Nations Industrial Development Organization, UNRWA and WFP.

Annex II: Overview of policies and practices in the use of long-term agreements across the United Nations system

Policies and practices	Organization																				
	United Nations Secretariat	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	UNOPS	ILO	FAO	UNESCO	ICAO	WHO	ITU	WMO	IMO	UNIDO	UNWTO	IAEA	UNAIDS	UN-Women
Developed a policy and/or strategy for LTAs	•	•	•	•	•	•	•	•	•	•	•		•					•	•		
Developed standard contracts/templates for LTAs	•	•	•	•	•	•	•	•	•	•	•		•						•	•	
Regional and/or field offices had the authority to establish and manage LTAs	•	•	•	•	•	•	•	•	•	•	•		•			•				•	
Considered socially responsible procurement practices in procuring through LTAs		•	•	•	•	•	•	•	•	•	•			•	•	•		•		•	
Undertook regular procurement portfolio analysis	•	•	•	•	•	•	•	•	•	•	•	•	•		•		•		•		•
Undertook analysis of the costs and benefits of collaborating with other United Nations organizations	•				•	•	•		•	•									•		
LTA contracts included estimated quantities	•	•		•		•			•		•			•	•	•	•			•	
Established and applied clear performance indicators for LTAs	•				•	•	•			•							•		•	•	
Decision to use the LTAs of other organizations did not have to be approved by organization’s contract committee					•	•		•	•	•	•					•		•	•		
Systematically included a provision in LTAs to allow use by other United Nations organizations	•	•		•	•		•	•					•	•	•					•	
Listed its LTAs on UNGM	•	•			•			•		•	•			•						•	•
Systematically collected lessons learned for each LTA	•				•						•						•		•		

Source: JIU questionnaire

Annex III: Use of long-term agreements in the United Nations system

Organization	2008			2009			2010			2011		
	Total procurement (millions of United States dollars)	Total number of LTAs	Percentage of procurement done through LTAs	Total procurement (millions of United States dollars)	Total number of LTAs	Percentage of procurement done through LTAs	Total procurement (millions of United States dollars)	Total number of LTAs	Percentage of procurement done through LTAs	Total procurement (millions of United States dollars)	Total number of LTAs	Percentage of procurement done through LTAs
United Nations Secretariat	3,172	161	65	3,488	135	67	3,145	143	68	3,174	156	73
UNDP ⁵⁷	N/A	N/A	N/A	N/A	N/A	N/A	582	201	20	534	245	20
UNHCR	333	52	N/A	414	65	N/A	417	67	N/A	535	82	N/A
UNRWA	193	44	8	214	67	10	229	59	13	282	143	15
UNFPA	256	50	50	236	80	55	285	100	45	N/A	120	N/A
UNICEF ⁵⁸	1,100	282	91	1,300	357	92	1,300	368	93	1,600	330	93
WFP ⁵⁹	N/A	N/A	N/A	400	10	1	400	33	3	423	72	4
FAO	97	54	12	124	85	25	157	79	15	121	88	28
UNESCO ⁶⁰	5	2	10	6	1	10	4	4	19	4	7	22
ICAO ⁶¹	88	3	7	90	3	8	98	6	5	73	7	11
IMO	N/A	N/A	N/A	15	2	60	18	4	8	18	7	15
UNAIDS	N/A	N/A	N/A	72	1	0	89	34	11	52	27	6
TOTAL	5,244	648	-	6,359	806	-	6,724	1,098	-	6,816	1,284	-

Source: JIU questionnaire N/A: not available

⁵⁷ LTAs reflect centrally maintained LTAs and best estimate of LTAs issued and maintained by business units.

⁵⁸ Statistics cover headquarters only.

⁵⁹ Statistics cover only goods and services procurement, and do not include food and transport/logistics procurements.

⁶⁰ Statistics cover headquarters only.

⁶¹ Statistics cover both headquarters and field.

**Annex IV: Overview on action to be taken by participating organizations on the recommendations of the Joint Inspection Unit
(JIU/REP/2013/1)**

		Intended impact	United Nations, its funds and programmes														Specialized agencies and IAEA													
			United Nations*	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNAIDS	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO	WMO
Report	For action		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	For information		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Recommendation 1		e	E			E		E		E	E		E	E	E	E	E	E	E		E	E	E	E			E	E		
Recommendation 2		e	E			E		E		E	E		E	E	E	E	E	E	E	E	E	E	E	E			E	E	E	
Recommendation 3		c	E			E		E		E	E		E	E	E	E	E	E	E		E	E	E	E			E	E		
Recommendation 4		c	E			E		E		E	E		E	E	E	E	E	E	E		E	E	E	E			E	E		
Recommendation 5		c	L			L		L		L	L		L	L	L	L	L	L	L	L	L	L	L	L			L	L	L	

Legend: **L:** Recommendation for decision by legislative organ **E:** Recommendation for action by executive head

■ : Recommendation does not require action by this organization **Intended impact:** **a:** enhanced accountability **b:** dissemination of best practices

c: enhanced coordination and cooperation **d:** enhanced controls and compliance **e:** enhanced effectiveness **f:** significant financial savings **g:** enhanced efficiency
o: other.

* Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-Habitat, UNHCR, UNRWA.