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**Financial, budgetary and administrative matters**

**Report of UNDP, UNFPA and UNOPS on joint procurement activities**

*Summary*

UNDP, UNFPA and UNOPS continue to show their commitment to joint procurement by initiating, supporting and participating in initiatives and activities globally to pursue benefits and opportunities that have resulted in stronger procurement practices, more efficient processes and lower costs for all participating organizations.

Since the 2016 report on these projects, the organizations have continued to expand and strengthen internal reporting requirements, resulting in the ability to provide more quantitative information and analysis on joint procurement. The reporting includes details on the diversity and nature of joint procurement within the three organizations, reaffirming the value of the initiative and the commitment of the participating organizations.

This report presents key findings and outcomes from the joint procurement work conducted in 2016 and highlights initiatives under way in 2017.

The Executive Board may wish to take note of the present report and comment on the joint procurement activities delivered in 2016, as well as activities in progress in 2017.



## I. Introduction

1. Joint procurement initiatives have been part of the procurement units of UNDP, UNFPA and UNOPS since 2011, and in 2016 the three organizations continued to demonstrate their commitment to undertaking these activities in order to harmonize business practices and improve the effectiveness and efficiency of United Nations procurement.
2. While many large contracts are developed at the headquarters level, there is an increased emphasis on collaboration at the country level. Country-level joint procurement activities – evident in over 30 ‘Delivering as One’ countries – focus on capacity-building, policy harmonization, advisory services and tools to facilitate joint processes and achieve results.
3. Joint procurement is conducted through a number of initiatives and activities, comprising:
  - (a) increasing usage of existing agreements or contracts of other United Nations organizations (‘piggy-backing’);
  - (b) establishing and using joint long-term agreements through the ‘lead agency’ approach;
  - (c) using procurement services of or procuring from other United Nations organizations;
  - (d) other formal collaborations with United Nations partners, through:
    - (i) participation in a joint procurement unit; or
    - (ii) joint or common procurement activities with other organizations (sharing of specifications, for example).
4. The savings obtained from joint procurement initiatives reduce the costs of the projects, either directly, through tangible savings, or indirectly, through cost avoidance. Savings and reduction of costs are obtained by:
  - (a) increasing value for money through improved planning, gathering of requirements, discounts and better negotiating power;
  - (b) improving coordination, consistency and planning across organizations;
  - (c) reducing parallel processes and transaction costs;
  - (d) improving supplier relationships;
  - (e) applying better procurement risk management;
  - (f) promoting the concept of ‘One United Nations’ among the private sector;
  - (g) sharing purchasing experience, information, expertise and learning.<sup>1</sup>

Where applicable, the savings are reprogrammed into project work or programmatic activities. This delivers further support to projects and programmes as savings are realized.

5. Since the inception of the initiative, inter-agency joint procurement has led to significant savings and a range of other benefits across the United Nations system. As described in the following sections, various joint procurement activities are ongoing, with additional projects planned for 2017, including the ongoing joint collaborative procurement of vehicles as ‘One United Nations’ that is being led by UNDP, with an estimated annual value of \$60 million over five years for light vehicles and an additional \$20 million per year for spare parts and support services. These initiatives reflect the leadership and participation of UNDP, UNFPA and UNOPS. Key results are highlighted below.

## II. Joint procurement activities: 2016 highlights

6. In 2016, UNDP, UNFPA and UNOPS reported a combined 544 joint procurement initiatives and activities globally. This excludes data on other agencies using UNDP/UNFPA/UNOPS as vendors (as captured by the [Annual Statistical Report on United Nations Procurement](#).) The shares of the reported initiatives and activities from the three organizations are shown in table 1 below.

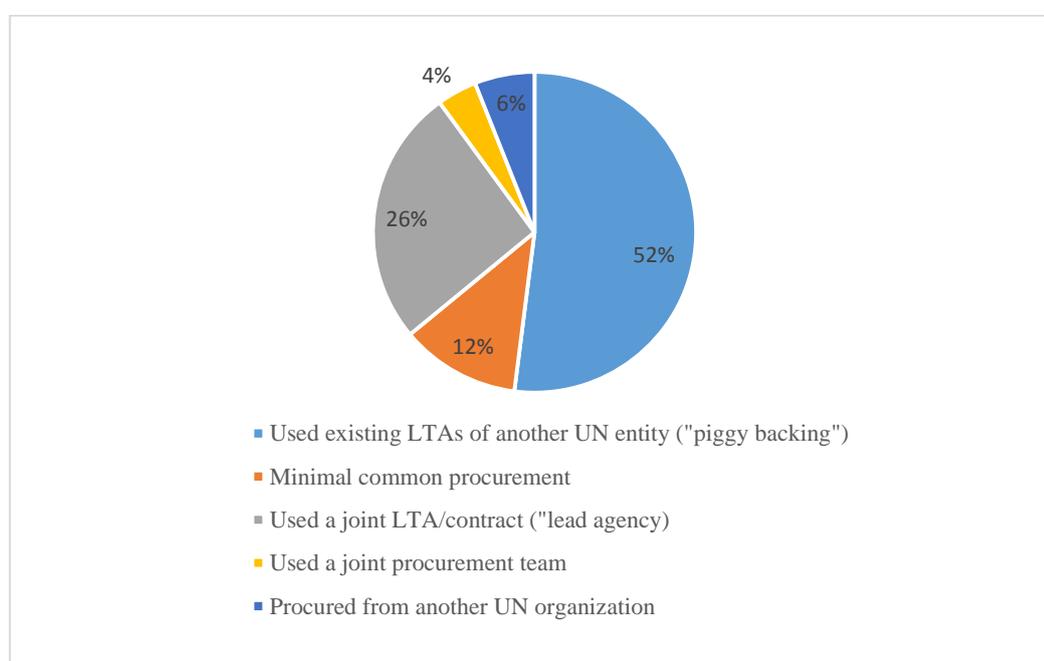
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<sup>1</sup> *Harmonizing UN Procurement: Common UN Procurement at the Country Level*, High-level Committee on Management, Procurement Network Working Group on Harmonization, Version 3.1. March 2015.

**Table 1. Joint procurement activities reported, 2016<sup>2</sup>**

Agency	Number of initiatives/percentage of total
UNDP	143 / 26.3%
UNFPA	110 / 20.2%
UNOPS	291 / 53.5%
Total	544 initiatives and activities

7. Figure 1 below details the initiatives and activities conducted by UNDP, UNFPA and UNOPS in 2016 according to four types of joint procurement. Using existing long-term agreements of another United Nations organization ('piggy-backing') represents the majority (52 per cent) of joint procurement in 2016.

**Figure 1. Joint procurement initiatives, 2016, by activity and initiative type**

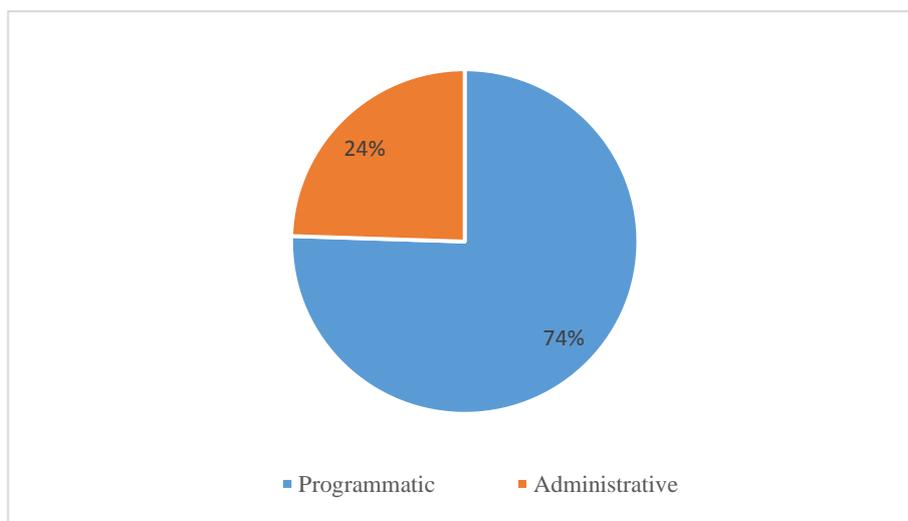
LTA - Long-term agreement

### Categories of collaboration initiatives

8. The joint procurement initiatives and activities reported for 2016 covered 42 of a total of 57<sup>3</sup> possible high-level categories of goods and services, showing that joint procurement activities are widely used across the different categories of procurement conducted by the three organizations. Figure 2 below shows that almost three quarters of these joint initiatives and activities are for goods and services procured directly for programmes and projects.

<sup>2</sup> The difference in the volume of the joint procurement activities reported in 2016 and 2015 is due to the cyclical nature of procurement requirements and 'one-off' joint procurement exercises.

<sup>3</sup> Based on segment level of the United Nations Standard Products and Services Code, which comprises 57 category segments.

**Figure 2. Nature of 2016 joint procurement activities**

9. Table 2 below represents the top 10 categories of goods and services in initiatives and activities conducted, documenting the diversity of the joint procurement of UNDP, UNFPA and UNOPS in 2016.

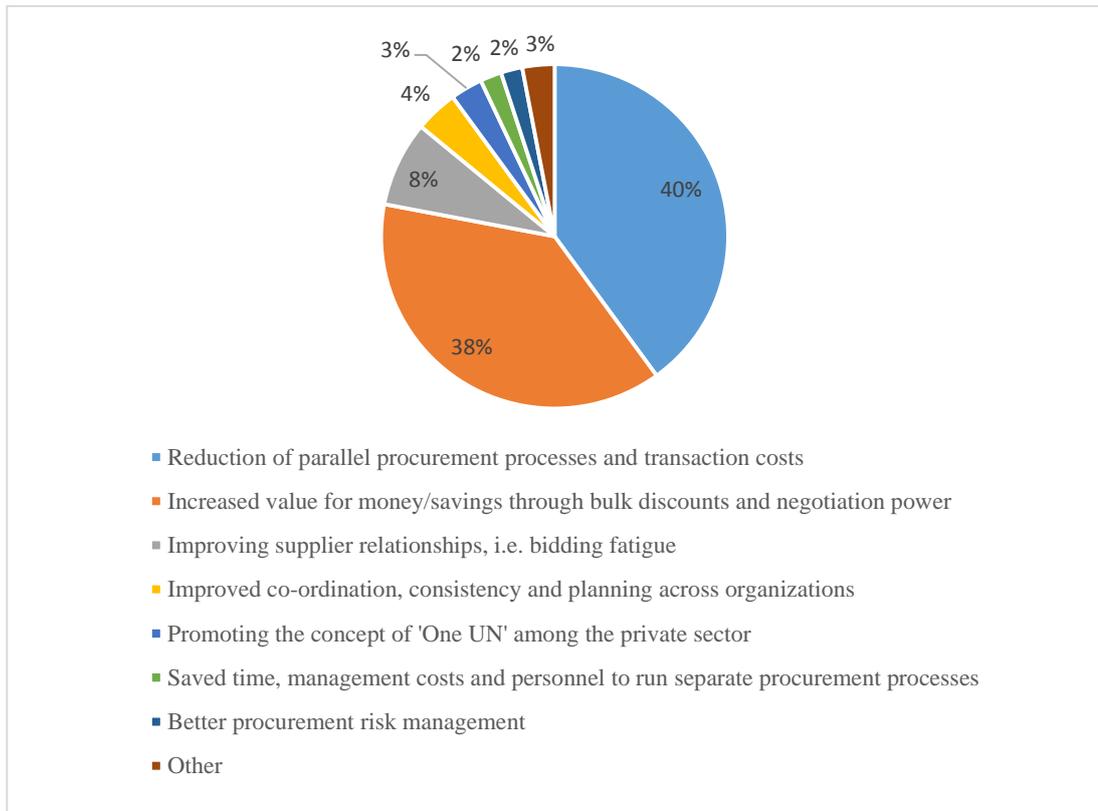
**Table 2. Top 10 categories of joint procurement activities, 2016**

Category description (United Nations Standard Products and Services Code-family level)	2016 volume (%)
Information technology and broadcast telecommunications	12.5%
Travel, food and lodging, and entertainment services	11.3%
Medical equipment, accessories and supplies	10.4%
Drugs and pharmaceutical products	9.6%
Motor vehicles, accessories and components	7.9%
Transportation and storage and mail services	7.3%
Management, business professionals and administrative services	6.7%
Office equipment and supplies and accessories	6.3%
Engineering and research and technology-based services	6.1%
Security and safety services	5.8%
Other	16.1%

#### Reported benefits of joint procurement

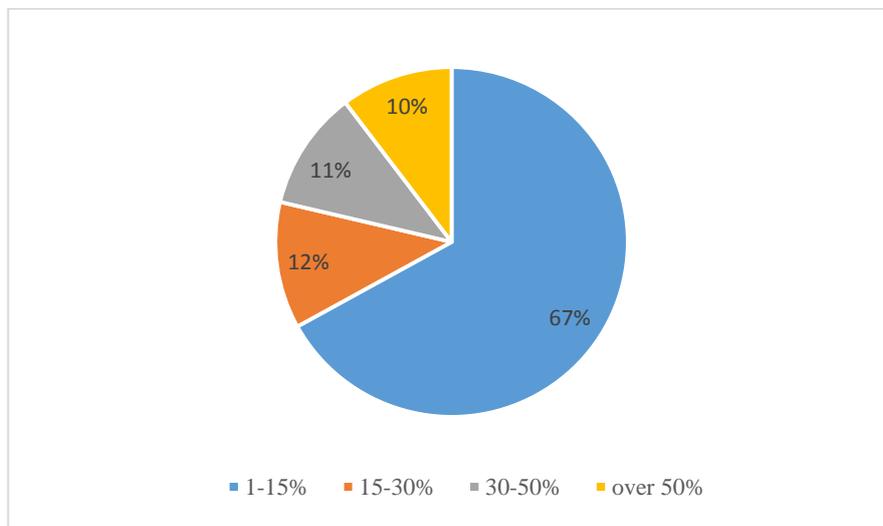
10. As previously described, there are a number of benefits that can result from joint procurement initiatives and activities. In 2016, UNDP, UNFPA and UNOPS reported the breakdown of types of benefits gained from joint procurement as shown in figure 3 below.

**Figure 3. Share of types of benefits reported in 2016**



11. Where possible, projects and offices were requested to provide information on the direct savings achieved by the initiative or activity. For 2016, 145 joint procurement activities of a total long-term agreement volume spend of \$25,180,671 were reported by the three agencies where actual savings were documented. Figure 4 below provides a breakdown of the estimated percentages of savings achieved in those reported cases. On average, UNDP, UNFPA and UNOPS were able to obtain savings of 9 per cent in cases where that was the goal, while in 10 per cent of cases (predominantly on low-value procurement), savings of more than 50 per cent were realized.

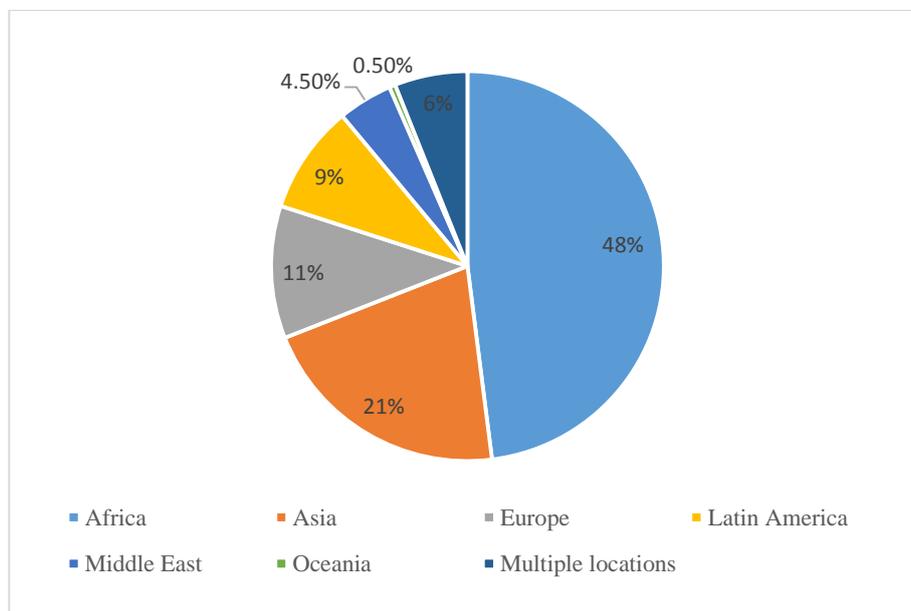
**Figure 4. Percentages of savings achieved in 145 reported activities**



### Regional distribution of joint procurement

12. Joint procurement conducted directly in programmes, projects and country offices is evident throughout the three organizations. Figure 5 below shows the geographical spread of these activities in 2016.

**Figure 5. Regional distribution of joint procurement activities**



### The United Nations Global Marketplace

13. The United Nations has committed itself to granting market access to its procurement, ensuring open competition and fairness. The United Nations Global Marketplace (UNGM) continues to be a valuable online procurement resource for the United Nations community, providing more than 217,000 registered vendors with access to 29 United Nations organizations. Since the launch of vendor registration reform late 2013, vendor registrations have seen an increase of 215 per cent. Registrations from developing countries and countries with economies in transition have increased by over 297 per cent, with more than 75,000 vendors registered, representing 63 per cent of all registered vendors.

14. The UNGM secretariat, managed by UNOPS, recently completed the third phase of vendor registration reform, providing further strategic enhancements. As a result of improvements subsequently introduced, UNGM now features a wide range of content that has made procurement more efficient and effective for participating organizations, including comprehensive information and data relevant to procurers as well as to the vendor community. UNGM provides expanded search capabilities to assist procurement officers in finding information on standardized specifications, awards and long-term agreements, the eligibility status of vendors and other shared knowledge. The knowledge centre features information on the main procurement themes such as professionalization, harmonization, collaborative procurement, category coding systems, sustainable procurement, vendor assessment and performance rating, and contract management. UNGM automatically screens vendors against United Nations and World Bank sanction lists, providing organizations with a powerful due diligence tool and saving time and money.

### Increasing usage of long-term agreements

15. The utilization of long-term agreements is increasing steadily within the United Nations procurement community, where agencies have either:

- (a) used existing long-term agreements or contracts of other United Nations organizations ('piggy-backing approach') in order to reduce administrative costs, to benefit from preferential rates already achieved or, in some cases, to take advantage of the expertise the other organization has developed in procuring certain commodity groups; or

(b) cooperated in a joint solicitation process ('lead agency approach'). Where procurement projects relate to categories closely aligned to the mandate of an organization, the procurement process is further improved by assigning 'lead agency' status. This model is used to consolidate procurement volumes to achieve rates and prices that no single organization could obtain on its own. Ultimately, this model can minimize inefficiencies and reduce workload for all participating organizations

16. UNDP, UNFPA and UNOPS reported 424 joint procurement initiatives to develop and utilize long-term agreements in 2016. Two thirds (66.7 per cent) of those initiatives and activities were categorized as 'piggy-backing' and one third (33.3) per cent as 'lead agency approach'. Tables 3 and 4 below show the shares of the different categories of goods and services in these joint procurement initiatives and activities.

**Table 3. Largest categories of goods and services procured through the 'piggy-backing approach'**

Categories – 'piggy-backing' approach	Share of total activities (%)
Information technology and broadcast telecommunications	25%
Travel, food and lodging, and entertainment services	21%
Drugs and pharmaceutical products	13%
Transportation, storage and mail services	8%
Medical equipment, accessories and supplies	7%
Management, business professionals and administrative services	5%
National defence, public order and security and safety services	5%
Motor vehicles, accessories and components	4%
Office equipment and supplies and accessories	3%
Engineering and research and technology-based services	3%
Other	6%

**Table 4. Largest categories of goods and services procured through the 'lead agency approach'**

Categories – 'lead agency' approach.	Share of total activities (%)
Travel, food and lodging, and entertainment services	44%
Transportation, storage and mail services	13%
Information technology, broadcasting and telecommunications	8%
Medical equipment, accessories and supplies	7%
Management, business professionals and administrative services	5%
Financial and insurance services	4%
Motor vehicles, accessories and components	4%
Drugs and pharmaceutical products	4%
Office equipment, accessories and supplies	3%
Editorial, design, graphic and fine art services	3%
Other	5%

**Long-term agreements available on the United Nations Global Marketplace**

17. United Nations organizations are increasing collaboration through the sharing and utilization of long-term agreements. This is evident from the steadily increasing number of United Nations organizations that have developed long-term agreements shared through the UNGM. There are over 554 active long-term agreements available through UNGM, covering 20 category segments. This improves collaboration between United Nations organizations, providing access to the efficient use of procurement resources and laying the foundation for savings and cost avoidance.

18. In 2017, the primary focus of the UNGM secretariat is to further build upon the functionality and performance of existing features developed under the 'UNGM 3.0' development project (see paragraph 23 below). In addition, particular emphasis is placed upon the roll-out and uptake of the recently developed institutional portal for chambers of commerce and trade promotion agencies to increase both the accessibility of the United Nations market and global vendor outreach. Particular development focus is placed upon system interface capability to further facilitate the integration of United Nations e-procurement and enterprise resource planning systems in order to increase the automation of procurement processes and tender notifications.

**Joint procurement teams, formalized collaboration and minimal common procurement**

19. Formalizing joint procurement locally through a joint or common procurement team or through collaborative sourcing activities lays the foundation for identifying new ways of ensuring that procurement continues to add value to programmes and projects. Through these teams, inter-agency procurement needs are identified locally and workplans are developed to deliver joint sourcing activities. In 2016, UNDP, UNFPA and UNOPS reported 22 joint procurement initiatives and activities involving joint procurement teams or collaboration in the development of specifications and sourcing activities.

20. Minimal common procurement refers to activities that can be undertaken together as a form of United Nations cooperation to save costs and efforts, including: sharing specifications or developing common specifications, joint sourcing, participation in multi-agency business seminars or cooperation in recurring low-value procurement of common requirements. In 2016, UNDP, UNFPA and UNOPS reported 65 joint procurement initiatives and activities involving minimal common procurement processes.

**Using procurement services of other organizations**

21. In a number of locations and circumstances, it is appropriate or necessary to procure directly from another United Nations organization or to request that another United Nations organization carry out certain procurement activities on an agency's behalf. This joint procurement approach is particularly beneficial for procurement in categories where there is a mandate, recognized expertise or available resources for the procurement of the particular goods, works or services.

22. In 2016, UNDP, UNFPA and UNOPS reported 33 cases where procurement was conducted with another United Nations organization, or through the procurement service of that organization. In monetary volume, this accounted for over \$2 million in purchases directly from other United Nations organizations.

**III. Highlights of activities in progress in 2017****Further enhancements to the United Nations Global Marketplace**

23. In 2016, the UNGM secretariat further enhanced UNGM functionality under the development project 'UNGM 3.0'. The enhanced features include:

- (a) improvement in the flagging of sanctioned vendors, allowing greater clarity of proscribed practices;
- (b) development of an institutional portal for chambers of commerce and trade promotion agencies to increase global vendor outreach;
- (c) capability of registering individual consultants;

(d) capability of capturing and disseminating information on fraudulent implementing partners.

#### **Global third-party logistics services**

24. UNDP, UNFPA and UNOPS are part of a collaborative tender process for global third-party logistics services for which the United Nations Children's Fund (UNICEF) is the lead organization. The process was started in 2015 and is expected to be completed in the second half of 2017. The new long-term agreements should result in improved trade and visibility of shipments; clearer accountability; increased transparency through an 'open-book' policy; and improved performance management through standardized key performance indicators across participating organizations.

#### **Launch of United Nations Web Buy Plus**

25. Last year, UNOPS reported on the development and launch of an e-commerce solution to replace United Nations Web Buy. The new solution, now branded as United Nations Web Buy Plus, developed in-house, was launched to suppliers late 2016 and to clients and partners in early 2017. The system provides users, partners and vendors with a solution that is easy to use and tailored to the procurement process, giving close to 500 users from 200 organizational entities access to a growing catalogue of categories relevant to the aid and humanitarian community. United Nations Web Buy Plus has allowed UNOPS to increase its ability to service client procurement in a responsive and efficient manner, consolidating its position as a value-adding procurement service provider to other United Nations organizations, partners and clients. In 2017, further developments are ongoing to enable UNOPS to work more closely with clients, partners and suppliers through integrated system-to-system processes, as well as to increase its offerings in a number of categories, providing all participants with access to goods and service relevant to the United Nations and its partners.

#### **Collaboration between UNFPA and the World Food Programme**

26. Last year, UNFPA reported on a collaborative initiative between UNFPA and the World Food Programme (WFP) that unites the expertise of UNFPA in the procurement of reproductive health supplies with the logistical leadership of WFP. The 'Partnering for Supply Chain Results' initiative commenced in June 2016 with the aim of creating mutually beneficial economies of scale.

27. The pilot, which focused on upstream supply chain activities, allowed WFP to support and organize the logistics for a number of UNFPA shipments being sent to 20 pilot countries. The 20 selected countries were mostly hard to reach, landlocked and/or non-commercially operated corridors. During phase I of the project, several shipments were successfully delivered to multiple non-commercially operated routes and hard-to-reach UNFPA country offices. Phase I also saw the successful delivery of a number of lifesaving reproductive health supplies to humanitarian emergency settings including in Haiti, the Syrian Arab Republic and Yemen.

28. Phase II of the initiative, which will continue throughout 2017, aims to explore new areas for collaboration between UNFPA and WFP, including further expansion of downstream, in-country activities.

#### **Strengthening procurement capacity**

29. Public procurement accounts for a significant share of countries' expenditures and investments, often reaching up to 15 per cent of gross domestic product and around 40 per cent of total public budgets. Public procurement is the process through which public funds are transformed into public goods, works and services. Efficient public procurement is a basic element in any poverty reduction initiative, as the poor and most vulnerable segments of the population are most dependent on public services and infrastructure.

30. UNOPS advisory services were launched in response to growing demands from governmental organizations. UNOPS provides technical and managerial assistance in procurement, capitalizing on its experience in the context of the local regulatory

frameworks and strengthening local procurement and financial systems. Similar services are also provided by other United Nations organizations, including UNDP.

31. UNOPS has strengthened its capacity to engage with countries on a non-transactional level, complementing the traditional operational modality as a procurement agent. Joint work teams are established with an entity's staff and collaborative work plans are developed, wherein UNOPS provides technical and managerial support to local procurement officials working under their own regulatory framework and applying their local systems. A successful engagement model has been the participation in complex, high-volume tenders, contributing to the realization of significant savings and working with local managers to channel part of these savings into diagnostic work (i.e., procurement efficiency assessments) and capacity-building initiatives, as was done in Jalisco State, Mexico. Through the lens of the Advisory Services Group, collaborative procurement brought together all public procurement agencies in the state government to discuss the new state Public Procurement Law, resulting in not only a better quality regulatory framework but in the identification of opportunities for joint procurement among different governmental entities.

32. UNDP, in cooperation with the Chartered Institute of Purchasing and Supply (CIPS), has established three levels of UNDP/CIPS procurement courses which are duly certified and provided to all United Nations agencies, Governments and non-governmental organizations for the professionalization of the procurement function in the United Nations system and the public sector. Among other recognitions, in 2012, the UNDP/CIPS courses received the European Supply Chain Excellence Award for Training and Professional Development. UNDP is the partner of choice for Governments in implementing capacity development programmes for public procurement. Large-scale country-wide procurement training and certification programmes have been implemented in Barbados, Guyana, Liberia and Trinidad and Tobago, and further countries are in the pipeline for similar support in 2017. These interventions also include revisions of procurement policies, procedures, institutional restructuring and reforms in public procurement. In 2016, UNDP trained 240 Government personnel, 942 United Nations staff and 258 UNDP staff through the UNDP/CIPS courses. UNDP has provided technical and advisory procurement support to the Governments of Senegal and Togo for massive infrastructural development projects worth \$30 million in each country over a period of two to three years. National staff were hired for the projects and UNDP fielded staff to support the project teams.

#### **UNFPA/United States Agency for International Development Coordinated Supply Planning Group**

33. Collaborative procurement activities are also undertaken with non-United Nations partners. An example is the Coordinated Supply Planning Group (CSP) led by UNFPA and the United States Agency for International Development (USAID). The group continued its work throughout 2016, specifically relating to the coordination of 1- and 2-rod implantable contraceptives and subcutaneous injectable contraceptives. CSP supported efforts to secure additional funding for several countries in order to avert stock-outs while also ensuring that any unused capacity (e.g., due to cancellation of orders) was immediately allocated to countries most in need. The CSP also worked closely with the manufacturer of the 1-rod implant in order to ensure an equitable distribution of placebo/trainer implants for use in training health workers in country.

34. In 2017, the CSP will continue to work towards its goal of achieving greater efficiencies and reducing global supply risk to all programmes receiving family planning commodity support through continuous, collaborative development of forecasts and supply plans. The group will be supporting the entry into the market of a third supplier pre-qualified by the World Health Organization for implantable contraceptives, and will be driving the effort to continue distribution of 1-rod implant trainers to countries transitioning from the 'classic' to the 'next generation' 1-rod implant. The group will also continue to provide a platform to engage with other organizations to address specific issues that affect availability of and access to family planning products.

#### **Procurement by UNFPA of condoms for the Global Fund to Fight AIDS, Tuberculosis and Malaria**

35. In 2016, the Global Fund and UNFPA signed an agreement under which UNFPA will procure condoms for the Global Fund from 2017. This collaborative procurement initiative will create the conditions for UNFPA, the largest public procurer of condoms, to further shape markets. This is a good example of how large organizations have managed to avoid a silo approach to procurement in order to create mutual benefits and achieve value for money.

#### **Sustainability**

36. In 2016, UNOPS was again recognized by CIPS as a leader in sustainable procurement (as one of only five organizations globally to hold the CIPS gold certificate). To support efforts to enhance sustainable procurement within the United Nations system, UNOPS will continue to train procurement officials from various agencies on the United Nations standard for sustainable procurement. This course was developed in cooperation with the International Training Centre of the International Labour Organization and United Nations Environment Programme. In early 2017, UNOPS trained key staff at UNICEF Supply Division headquarters in Copenhagen, and later this year, it hopes to organize a joint sustainable procurement training course in Geneva with key procurers from various agencies.

37. In 2017, UNOPS will again manage the joint procurement of carbon emissions reductions on behalf of several United Nations agencies. In line with the practice of previous years, UNOPS will be responsible for establishing the requirements, managing the tender process and conducting the technical evaluations of bids. In previous years, UNOPS has supported the International Monetary Fund, UNFPA, UNICEF, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the World Trade Organization in offsetting their greenhouse gas emissions through this process.

38. UNDP has introduced a new 'Introduction to Sustainable Public Procurement' training course that is offered to staff of all United Nations agencies at multiple locations. UNDP is also integrating life-cycle-costing and sustainability criteria in the three levels of the CIPS certification programmes. Multiple long-term agreements for solar power have been established and are available to all Governments and United Nations agencies for an increased utilization of alternative energy sources.

#### **United Nations system-wide commodity study**

39. UNDP, UNFPA and UNOPS are participating in an ongoing commodity study project under the High-Level Committee on Management Procurement Network (led by the Office of the United Nations High Commissioner for Refugees). The project, which commenced in 2016 and will continue through second quarter of 2017, aims to develop a more accurate picture of the categories and volume of goods and services in the entire United Nations system that could be procured jointly, as well as the potential associated savings. To date, 32 goods and services categories have been tested, and a common vendor analysis has been conducted across the participating organizations. Phase II of this project (currently underway) will determine the final 10 categories for prioritization, and will develop both supplier management database solutions and a draft template for a joint contracting model.

#### **Ongoing activities related to projects and programmes**

40. Joint procurement or harmonization of procurement procedures is a focus area for county-level procurement operations. UNFPA, in particular, is working to determine where each county office stands in terms of joint procurement and is seeking areas for improvement. In 2016, UNFPA, in cooperation with the United Nations Development Group (UNDG), conducted a survey to identify current constraints on joint procurement initiatives at country level. The survey, which was conducted with three countries exercising joint procurement under a business operations strategy framework, identified three major constraints: (a) lack of commitment, cooperation and engagement from participating agencies; (b) resistance to change (flows/procedures); and (c) lack of harmonization due to differing frameworks. UNFPA and UNDG will use this information to further improve and target their support in facilitating joint initiatives in the future.

## **IV. Conclusion**

41. UNDP, UNFPA and UNOPS showed a continued focus on joint procurement in 2016, initiating, supporting and participating in initiatives and activities globally to pursue benefits and opportunities for savings and efficiency gains. As documented by this report, these initiatives and activities are not only of an administrative nature – as was the case at their inception in 2011 – but cover a wide range of products and sectors, in direct support of projects and programmes.

42. Joint procurement initiatives continue to provide both tangible and intangible benefits to UNDP, UNFPA and UNOPS, and to other participating United Nations organizations. These include delivering savings, avoiding costs, eliminating duplication of work and increasing consistency, leading to stronger project and country office procurement.

43. UNDP, UNFPA and UNOPS will continue to pursue joint procurement opportunities at both headquarters, regional and country office levels and continuously increasing their commitment to work together in pursuing opportunities across a broad range of products, and to share these with the wider United Nations system.

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