



UNDP USER GUIDE

CONTRACT, ASSET & PROCUREMENT MANAGEMENT



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UNDP USER GUIDE

The **User Guide** is a tool to provide UNDP staff with a single place to find all relevant information about UNDP operations. The "Guide" provides a process-based navigation structure to find the information required, and replaces all prescriptive content previously published in the forms of manuals.

The aim of the Guide is that "all relevant information" pertaining to a given process is made accessible, and this information can be categorized along three dimensions:

1. **Prescriptive** – rules, regulations, and policies that describe what must be done to perform your job
2. **Descriptive** – advice, tools, techniques, and support information to assist in understanding "how to" accomplish a task
3. **Substantive** – relevant experiences and lessons drawn from real activities (if applicable)

Guide Characteristics

- Implemented according to the policy on management of prescriptive content to ensure internal consistency and timeliness of data
- In line with the E-Document Management Policy to promote the "one file vision" and reduce redundancy of information in various locations
- Web-browser-based access
- Link all relevant UNDP and external content related to a specific process
- Access to policies ("what you must do"), procedures ("how to do it"), templates and forms ("information to capture"), and examples ("how was this done before")
- Standard navigation methods and standard information formats
- Process-based navigation (based on "the work we do") to find the information required
- Consistent with Atlas business processes
- On-line workflow for version control and publishing of content by responsible units

INTRODUCTION

This section of the User Guide covers policies and procedures related to Contracts, Assets and Procurement and replaces the UNDP Procurement Manual. The content of each sub-section and process of the CAP User Guide incorporates all past manuals and circulars issued over the years. In case of any errors or omissions; to provide feedback; or ask questions, please contact Mr. Krishan Batra, Senior Procurement Adviser at krishan.batra@undp.org.

PROCUREMENT OVERVIEW

Description

Procurement is the overall process of acquiring goods, civil works and services which includes all functions from the identification of needs, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration through the end of a services' contract or the useful life of an asset.

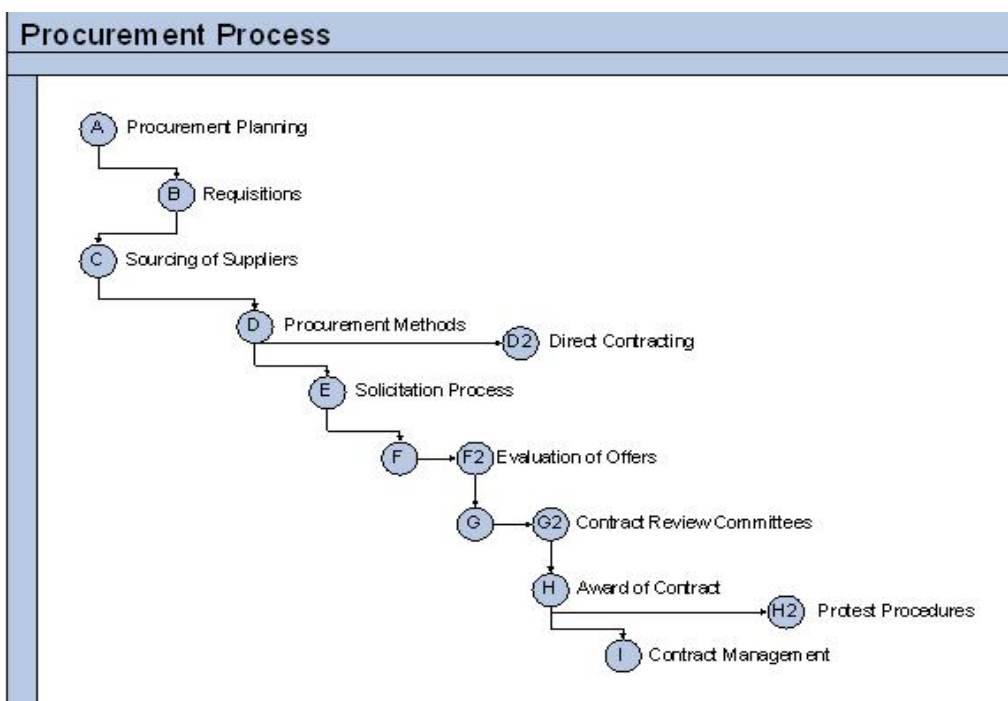
Although UNDP retains a decentralized organizational approach to procurement with "Buyers" responsible for the acquisition of goods, civil works and services as required by Business Units, this Procurement User Guide sets forth a comprehensive framework of procurement and its policies and procedures, which are maintained centrally by Headquarters.

The following series of chapters will take you through each phase of the procurement process:

- Procurement Planning
- Requisitions
- Sourcing of Suppliers
- Procurement Methods
- Solicitation and Evaluation of Offers
- Contract Review Committees
- Award of Contract
- Contract Management
- Asset Management

Relevant Policies

- UNDP Financial Regulations and Rules



A. PROCUREMENT AUTHORITY

Description

The Administrator has delegated oversight and approval authority of the procurement function to the Assistant Administrator, Director of the Bureau of Management, as the Chief Procurement Officer (CPO) of the organization.

The CPO has delegated limited authority to Resident Representatives (RRs), Heads of Bureaux and Heads of Out-Posted HQ Units for the award of contracts valued less than USD 100,000. Such contracts valued less than USD 100,000 do not require prior review of the Advisory Committee on Procurement (ACP) and CPO. However, any and all contracts valued at USD 30,000 and above, which seek a Waiver of Competitive Process, must obtain review of the Contract Review Committees and approval of the CPO.

Resident Representatives, Heads of Bureaux and Heads of Out-Posted HQ Units may further delegate procurement authority to their staff to perform procurement activities. The delegation of procurement authority to UNDP staff is granted on an individual basis and requires such authorized personnel to adhere to these Guidelines. Nevertheless, RRs and Heads of Bureaux and Out-Posted HQ Units retain responsibility for the overall efficient and cost-effective procurement.

In addition, RRs and Heads of Bureaux and Out-Posted HQ Units, as well as all staff involved in the procurement function, must ensure compliance with all relevant financial regulations,

rules and procurement procedures. In the case of inconsistency or ambiguity in the application of rules, the hierarchy of the following instruments should be applied:

- Article 100 of the Charter of the United Nations;
- UNDP Financial Regulations and Rules;
- Staff Regulations and Rules of the United Nations;
- Applicable Administrative Instruments;
- UNDP Financial Resources Management User Guide;
- UNDP Internal Control Framework; and
- UNDP Contracts, Asset and Procurement User Guide.

RRs and Heads of Bureaux and Out-Posted HQ Units must retain records of all staff delegated procurement authority indicating the scope and duration for which the delegation has been authorized.

Relevant Policies

- UNDP Financial Rule 121.01(a)
- UNDP Financial Rule 121.01(b)
- Article 100 of the Charter of the United Nations
- Staff Regulations and Rules of the United Nations
- Applicable Administrative Instruments
- UNDP Financial Resources Management User Guide
- UNDP Internal Control Framework

Procedures

Increase in Delegated Procurement Authority

An increase in delegated procurement authority for RRs and Heads of Out-Posted HQ Units may be sought from the CPO upon an assessment of the anticipated monetary volume of the programme to be expended in the subsequent year and the demonstrated capacity of the Country Office (CO) or decentralized unit. Such an increase in authority is neither automatic nor guaranteed although pursuant to the following thresholds:

Total Annual Programme Delivery	Delegated Procurement Authority*
Less than USD 10 million	USD 100,000
Between USD 10 – 50 million	USD 300,000
Greater than USD 50 million	USD 500,000

All requests for an increase in delegated procurement authority for RRs should be forwarded to the CPO, through the Director of the Regional Bureau. For all Out-Posted HQ Units, all requests shall be forwarded to the CPO through the HQ manager to whom that Unit reports. All requests must be accompanied with the Request Form for Increased Delegation of Procurement Authority.

Prior to any increase of delegated procurement authority, OLPS shall review the CO's or Out-Posted HQ Unit's Contracts, Asset and Procurement Committee (CAP) and ACP submissions for the previous calendar year, procurement plan and request forms.

An increase of delegated procurement authority is granted by the CPO for a specified period and may thereafter be extended pursuant to additional justification provided by the CO or decentralized unit. All extensions of procurement authority similarly must be accompanied with the Request Form.

Despite the delegation of increased procurement authority, RRs and Heads of Out-Posted HQ Units must ensure that competitive processes are executed in the procurement of goods, civil works or services valued within their delegated authority. Where standard competitive processes are not feasible, the RR or Head of Out-Posted HQ Unit must adhere to the scope of authority designated in the award letter.

() Increases in procurement authority may be higher pursuant to the need of the CO on an ad hoc basis and similarly decreased upon completion or cessation of the emergency or exceptional situation warranting the ad hoc increase. All procurement authority granted in excess of USD 1 million shall be subject to an annual procurement review.*

Inputs

- Past year's procurement expenditure.
- Past year's CAP and ACP submissions.

Deliverables

- Procurement Plan
- Request for Increased Delegation of Procurement Authority

Roles and Responsibilities

- Business Unit - refers to a Country Office, Department or Office.
- Head of Business Unit - refers to the RR, Bureau Director, Director of HQ Unit and Director of Out-Posted HQ Unit.
- Resident Representative - refers to the Head of a Country Office.
- Bureau - refers to an organizational unit within UNDP.
- Out Posted HQ Unit - refers to IAPSO, UNV, Liaison Offices, etc

Templates and Forms

- Request Form for Increased Delegation of Procurement Authority
- Increased Delegation Procurement Plan

Additional Information

- Schedule of Increased Delegations of Procurement Authority

B. PROCUREMENT PLANNING

Description

Procurement planning is essential for the timely solicitation of quotations, bids or proposals; cost efficiency; the award of contracts; and the delivery of inputs. Procurement planning entails more than the selection of a procurement method for various goods, civil works and services and when to schedule activities, but combines the legal and institutional frameworks in which procurement must be carried out.

Relevant Policies

- UNDP Fin. Rule 121.03(a) (May 2005)

Procedures

Business Units should utilize the standard Procurement Plan template considering the following:

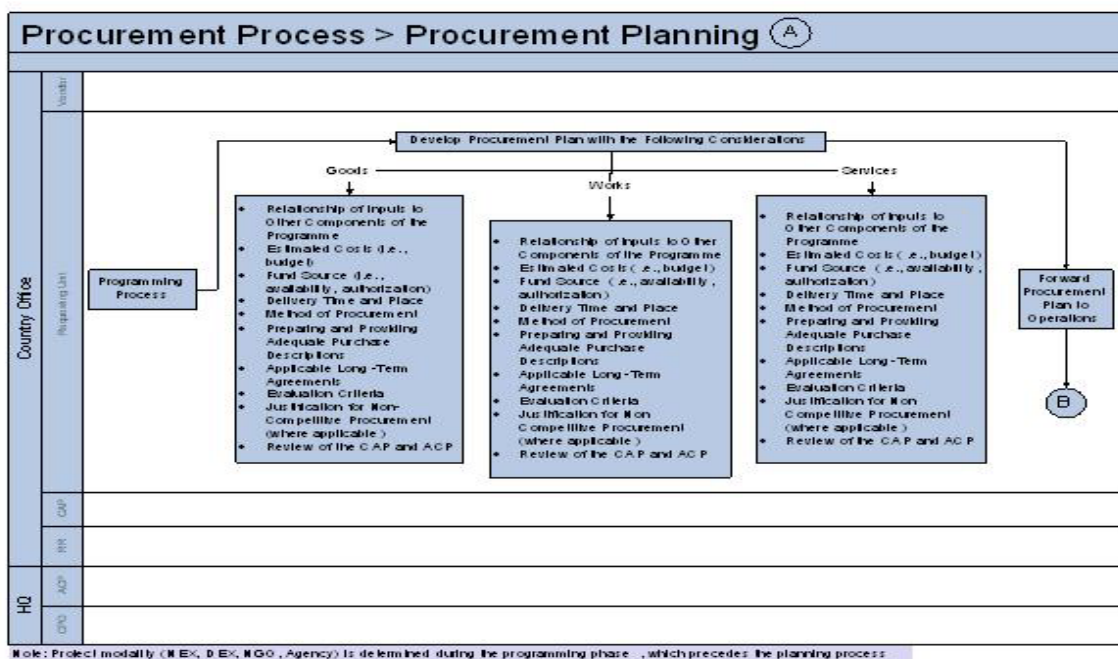
- Programme management arrangement;
- Types of goods, civil works or services required;
- Method of procurement;
- Applicable long-term agreements;
- Estimated costs (*i.e., budget*);
- Fund source (*i.e., availability, authorization*);
- Preparing and providing adequate purchase descriptions;
- Delivery time and place;
- Evaluation criteria;
- Justification for non-competitive procurement, where applicable;
- Review of the CAP and ACP;
- Relationship of inputs to other components of the programme.

Templates and Forms

- Procurement Action Plan

Additional Information

- Advisory Committee on Procurement
- Global Fund Procurement
- Long Term Agreements



C. PRINCIPLES OF UNDP PROCUREMENT

Description

As per UNDP's Financial Regulations and Rules, the following general principles must be given due consideration while executing procurement on behalf of the organization:

- Best Value for Money
- Fairness, Integrity, Transparency
- Effective International Competition
- The Interest of UNDP

Relevant Policies

- UNDP Fin. Reg. 21.02(a) (May 2005).
- UNDP Fin. Reg. 21.02(b) (May 2005).
- UNDP Fin. Reg. 21.02(c) (May 2005).
- UNDP Fin. Reg. 21.02(d) (May 2005).

Procedures

Best Value for Money

By and large the core governing principle of UNDP is to obtain the best value for money. In the context of the procurement process, obtaining "best value for money" means selection of the offer, which presents the optimum combination of life-cycle costs and benefits, which meet the Business Unit's needs.

Best value for money should not be equated with the lowest initial price option rather requiring an integrated assessment of technical, organizational and pricing factors in light of their relative importance (*i.e., reliability, quality, experience, reputation, past performance, cost/fee realism and reasonableness*). The Business Unit's parameters can also include social, environmental and other strategic objectives defined in the procurement plan. The principle of best value for money is applied at the award stage to select the offer that effectively meets the stated requirement. To ensure that best value for money is obtained, the process of soliciting offers and selecting a Contractor should:

- Maximize competition;
- Minimize the complexity of the solicitation, evaluation, and the selection process;
- Ensure impartial and comprehensive evaluation of solicited offers; and ensure selection of the Contractor whose offer has the highest degree of realism and whose performance is expected to best meet the Business Unit's specifications, statement of works or terms of reference.

Fairness, Integrity and Transparency

As competition is the basis for efficient, impartial and transparent procurement; Business Units are therefore, responsible for protecting the integrity of the procurement process and maintaining fairness in UNDP's treatment of all Offerors. Sound procurement (*i.e., openness of the process; probity; complete and accurate records; accountability; confidentiality*) establishes and then maintains rules and procedures that are attainable and unambiguous.

Effective Competition

The objective of UNDP's competitive processes as described in these Guidelines is to provide all eligible prospective Offerors with timely and adequate notification of UNDP's requirements and an equal opportunity to tender for the required goods, civil works and services.

Business Units should ensure that restrictions are not placed on the competitive processes limiting the pool of potential Offerors, as UNDP does not accept procurement awarded to exclusive Contractors or countries, unless otherwise explicitly mentioned in a Donor agreement. However, any such restrictive procurement provisions within an agreement must obtain prior approval of the Chief Procurement Officer.

Interest to UNDP

In practice, the specific procurement rules and procedures established for the implementation of a programme are contingent upon the individual circumstances of the particular case; however four considerations consistently guide the UNDP's interest for the acquisition of inputs:

- The need for economy and efficiency in the implementation of the programme, including the procurement of goods, civil works and services involved;
- The access to procurement opportunities for all interested and qualified Offerors worldwide, except where other criteria mandated by the Security Council or General Assembly prevails; giving all eligible Offerors the same information and equal opportunity to

compete in providing goods, civil works or services; and the importance of transparency in the procurement process.

Roles and Responsibilities

- Contractor - refers to providers of goods, civil works and services as required by the Business Unit.
- Offeror - refers to all entities tendering goods, civil works and/or services to UNDP.

Additional Information

- United Nations General Assembly
- United Nations Security Council

D. PROGRAMME CAPACITY ASSESSMENT AND MANAGEMENT ARRANGEMENTS

Description

The administration and implementation of UNDP-supported programmes and projects are referred to as management arrangements. Designed to ensure that the expected results are achieved through the effective and efficient use of UNDP resources, management arrangements designate the policies and procedures to be followed. Under the applicable arrangement, the implementing partner (or institutions) managing the programme or project establishes mechanisms to track progress towards results and associated budget. UNDP arranges for its support to programmes and projects in one of the following four implementing partners:

- Government or National entities;
- Non-governmental organizations (NGO);
- UN Agencies; or
- UNDP itself.

Relevant Policies

- UNDP Fin. Reg. 16.04(a) (May 2005).
- UNDP Fin. Reg. 16.05 (May 2005).
- UNDP Fin. Reg. 17.01 (May 2005).
- UNDP Fin. Reg. 17.02 (May 2005).
- UNDP Fin. Reg. 17.03(b) (May 2005).
- UNDP Fin. Reg. 17.04 (May 2005).
- UNDP Fin. Reg. 17.05 (May 2005).
- UNDP Fin. Rule 117.02(b) (May 2005).
- UNDP Fin. Rule 117.03 (May 2005).
- UNDP Fin. Rule 121.02 (May 2005).

Procedures

Upon the designation of which management agreement to employ, the implementing partner undertaking the programme or project arranges for the procurement of inputs and further implementation. The entity responsible for UNDP-funded inputs is therefore accountable for their quality, timeliness, effectiveness and efficient fund utilization.

National execution (NEX), which refers to management by a governmental entity, is employed where adequate capacity exists in the Government to undertake the functions and activities of the programme or project. Under NEX, the implementing partner may follow its own procurement procedures provided they conform to international standards consistent with these Guidelines. If however, UNDP is signatory to contracts with Contractors at the request of the Government, UNDP policies and procedures, as set forth in these Guidelines, prevail and must be executed in full compliance.

NGO Execution, on the other hand seeks to collaborate with national and international NGOs retaining adequate personnel, financial status, experience, capacity and expertise to carry out activities and achieve results on behalf of UNDP. Where it is decided that the implementation of activities will be carried out by a NGO, actions are limited to the provision of grassroots services. However, if the NGO retains satisfactory procurement capacity in compliance with international standards, the NGO may apply its own procurement procedures, otherwise, these Guidelines prevail.

Agency Execution entails management by UN Agencies where activities require technical sector expertise or specific management capacity and access to international networks; the government lacks the required management or substantive capacity; or the parties prefer agency execution for other reasons. Under agency execution, the UN Agency may plan and carry out the programme or project activities applying its own procurement procedures.

Lastly, **Direct Execution** (DEX), which refers to management solely by UNDP in special development situations, is limited to programmes and projects where it has been demonstrated essential to safeguard full responsibility and accountability of UNDP programme activities. For all DEX projects, these Guidelines shall apply to all procurement activities.

Additional Information

- Results Management User Guide.
- UNCITRAL Public Procurement Principles.
- WTO Public Procurement Principles.

Lessons

The term “execution” refers to the overall ownership and responsibility of programme activities and accountability for results.

The term “implementation” refers to the management and delivery of activities to achieve specific results.

E. PROCUREMENT ETHICS

Description

As funds of UNDP are entrusted to the organization by the public at large, it is imperative that all transactions committing UNDP are carried to the highest degree of public trust and should be conducted with impeccable standards.

Relevant Policies

- UNDP Fraud Policy
- United Nations Standards of Conduct (Report on Standards of Conduct in the International Civil Service, 1954)
- UNDP Fin. Rule 102.02 (May 2005)
- UNDP Fin. Rule 121.03(d) (May 2005)

Procedures

UNDP requires that all Business Units observe the highest standard of ethics throughout the procurement process. In pursuance of this policy, UNDP defines for the purposes of this provision, the terms as set forth below:

- "Corruption" means the offering, giving, receiving or soliciting, directly or indirectly of anything of value to influence the action of staff in the procurement process or contract execution;
- "Fraud" means the intentional, false representation or concealment of a material fact for the purpose of inducing another to act up on it to his/her detriment;
- "Collusion" means a scheme or arrangement between two or more Offerors, with or without knowledge of UNDP, designed to establish prices at artificial, non-competitive levels;
- "Coercion" means harming or threatening to harm, directly or indirectly, persons, or their property influence their participation in the procurement process, or affect the execution of a contract.

The UNDP procurement process must allow Offerors to compete for UNDP business on a fair, equal and transparent basis. Staff associated with the procurement function, therefore are responsible for protecting the integrity of the procurement process and maintaining fairness in UNDP's treatment of all Offerors.

The standard of conduct for all staff involved in procurement to safeguard against conflicts of interest which may compromise the integrity and objectivity of UNDP include:

- During the pre-solicitation phase, staff must not allow Offeror(s) access to information, whether technical, financial or any other nature, on a particular acquisition before such information is available to the business community at large. Further staff may not use unnecessary restrictive specifications, statements of work or terms of reference that may discourage competition;
- Staff having a financial interest in Offeror(s) responding to a UNDP solicitation, are prohibited from any involvement in the procurement process. Financial interest means anything of monetary value including, but not limited to:

- An interest in a business consisting of any stock, stock option, or similar ownership interest in such business, but excluding any interest arising solely by reason of

investment in such business by a mutual, pension, or other institutional investment fund over which the staff member does not exercise control; or

- Receipt of, or the right or expectation to receive, any income in one or more of the following forms: a consulting fee, honoraria, salary, allowance, forbearance, forgiveness, interest in real or personal property, dividend, royalty derived from the licensing of technology or other processes or products, rent, capital gain.

• Staff having personal or professional interests with direct or indirect influence in an Offeror responding to a UNDP solicitation, are prohibited from any involvement in the procurement process. Personal or professional interests include, but not limited to:

- Any organization, or enterprise over which the staff member, alone or together with an immediate family member (i.e., employee's spouse or domestic partner, and dependent children), exercises a controlling interest; or

- Any corporation, partnership, sole proprietorship, firm, franchise, association, organization, holding company, joint stock company, receivership, business or real estate trust, or any other nongovernmental legal entity organized for profit, non-profit, or charitable purposes; or

- Any executive position or membership on the Offeror's board regardless of compensation; or

- Any position that includes responsibilities for a significant segment of the Offeror's operation or management of a business.

• Staff may not disclose proprietary and source selection information, directly or indirectly, to any individual other than such authorized to receive information, at any time prior to or after the selection and contracting process.

• UNDP may exclude suppliers, contractors and consultants from tendering for procurement opportunities in UNDP-supported programmes or projects if the Offeror in question or their affiliates provided consulting services for the preparation and implementation of a project, and in order to prevent a conflicts of interest, the Offeror and their affiliates are disqualified from subsequently providing goods and civil works under UNDP financing for the same project.

Any procurement personnel maintaining a conflict of interest or potential conflict should immediately notify the RR/Country Director (CD) or Head of the Business Unit.

To safeguard UNDP against illicit use of publicly entrusted funds in terrorist financing, Business Units should assess all entities with whom business is conducted, to ensure that funds are used for their intended purposes. To sustain financial control of such public funds and compliance with the UN's regulations and guidelines regarding anti-terrorist financing practices, organizational due diligence requires Business Units to undertake:

- Review of the entity's profile (i.e., background, financial reports, annual statements);
- Confirm business registration with government authorities; and
- Verify entity against the United Nations Security Council 1267 Committee's list of terrorists and terrorist financiers.

All staff are responsible for the regularity of actions taken by them in the course of their official duties. Any staff member that takes action contrary to the UNDP Financial Rules and Regulations or these Guidelines may be held personally responsible and financially liable for the consequences of such action.

Additional Information

To protect the integrity of the procurement process, potential abuses may be referred to the UNDP Online Fraud Reporting System or to OLPS www.undp.org/hotline/

United Nations Security Council 1267 Committee's List
www.un.org/Docs/sc/committees/1267/1267ListEng.htm

On The Drawing Board

- Confidentiality Agreement

F. ENVIRONMENTAL CONSIDERATIONS

Description

It is UNDP's policy to manage its business in an environmentally responsible manner. Environmental responsibility or "green" procurement is the selection of goods and services that minimize environmental impacts. UNDP endeavours to protect the quality and diversity of the environment and continually improve performance in this regard. This means considering the costs of securing raw materials, manufacturing, transporting, storing, handling, using and disposing of products procured.

Relevant Policies

- UNDP Fin. Rule 121.03(d) (May 2005)

Procedures

"Green" procurement is rooted in the principle of pollution prevention, which strives to eliminate or to reduce risks to human health and the environment. In order to do so, UNDP staff should evaluate purchases based on a variety of criteria, ranging from the necessity of the purchase, resource consumption, waste generation, environmental impact and health of the users.

UNDP's "green" procurement policy promotes the four "R" strategies:

- Re-think the requirements to reduce environmental impact;
- Reduce material consumption;
- Recycle materials/waste; and
- Reduce energy consumption.

"Green" procurement at the UNDP requires its staff to conduct all activities, including contracting with other entities, in a resource-efficient manner. Thus UNDP will be selective in its choice of products, processes and services to promote the four "R" strategies, taking into consideration the effects of energy consumption, toxicity, ozone depletion, radiation, and the use of recycled materials. To help determine how environmentally friendly the goods and/or services are, UNDP staff should evaluate the applicable Eco-label rating, or the official label for approved "green" products, such as Energy Star, EU Eco-label, Energuide, etc.

Additional Information

- UNDP's Green Office Initiative
- Green Procurement
- International Organization for Standardization

REQUISITIONS

Description

Developing a strategic approach to procurement through appropriate and timely planning is a key element to the successful acquisition of goods, civil works or services at a reasonable cost. Early and accurate planning is essential to avoid last minute, emergency or ill-planned procurement, which is contrary to open, efficient and effective, and consequently fair and transparent procurement.

Such planning allows Business Units to organize their requirements into requisitions, to enable on-time delivery and to take advantage of economies of scale. A resulting requisition specifies to the Requisitioner, Buyer, Project Manager and Programme Officers, what is required and when it is needed. The requisition enables the search for possible solutions to meet the desired needs and further facilitates the procurement action.

A. PROCUREMENT OF GOODS, CIVIL WORKS AND SERVICES

Description

A requisition should include, at a minimum:

- Detailed description of goods, civil works or services sought;
- Quantity of inputs to be procured;
- Unit of measure;
- Required delivery/engagement date;
- Delivery location or location of civil works/services to be performed;
- Estimated price or cost; and
- Any additional information (i.e., standardization, preferred method of shipment).

In the case of goods, the description should include all technical specifications; norms and standards; functional guarantees; inspection requirements; etc. In the case of civil works, a requisition should describe the statement of works; quality standards of different materials to be used; handling of defects; etc. Lastly in the area of services, requisitions should provide the terms of reference; qualification and experience of consultants required; output of reports; etc.

Relevant Policies

- UNDP Fin. Rule 121.03(d) (May 2005).

Procurement of Goods

Specifications or the description of physical or functional characteristics of tangible goods or civil works must provide all relevant terms and criteria required. They should be generic, in nature to maximize the broadest possible competition. Specifications may be stated as a hybrid, or combination of the following types:

- **Functional:** defines the task to be performed in conjunction with various design attributes (i.e., cost, weight, environmental impact, reliability). A functional specification focuses on what a product is to do and rather than what materials and/or dimensions should be employed. (e.g., recycled laser copy paper, smooth, uniform surface for fine resolution, 88 brightness rating for contrast, use in a variety of printers and copiers, or offset printing)
- **Performance:** focuses on the function of the product or service required. This ideal specification is built around a description of what is to be achieved rather than a fixed description of how it should be done. To assure the quality, a reference to the concerned product standards (i.e., ISO) and environmental requirements (i.e., Energy Star, Eco-label), should be made. (e.g., fine tip dry erase markers; durable tip will not soften or spread; quick-drying ink; wipes off easily; certified non-toxic by marker industry (AP) standards)
- **Design:** defines exact details of a good (i.e., the physical attributes, materials to be used, power input and output, the manufacturing processes required, or in the case of a service, the working methods to be used). Due to its uniqueness, design specifications may limit competition because of differences in engineering practices. Where specifications require the use of drawings, blue prints or white papers, all dimensions stated must utilize the metric system. (e.g., construction of an overhead transmission tower requires details of the type of transmission line [e.g., voltage, circuit, conductor], electrical clearance, sag of conductor, foundation load, grade and size of steel structure, thickness of zinc coating)
- **Brand or Trade name:** in the drafting of any of the aforementioned specifications, the use of brand names, or similar references must be avoided. If it is necessary to cite a brand name, the words "or equal" shall be included. (e.g., Dell® Desktop Computer or equal). The term "or equal" means that the desired product is of comparable quality and/or capable of performing the intended function. For the procurement of small quantities, brand purchasing is acceptable.
- **Sample:** only where the above-mentioned methods to describe a good are not feasible, samples may be used to facilitate the procurement of goods.

Procurement of Civil Works

The Statement of Works (SOW) should describe the civil works in sufficient detail to identify the location, nature and any complexities involved. The term 'civil works' generally includes all types of civil, mechanical, electrical or other engineering services (other than consulting services) as well as the supply of construction materials and equipment.

The Business Unit should state the expected construction period and time in weeks or months, or where alternative time schedules are permitted, the range of acceptable

construction periods. In addition, the Business Unit should provide additional information on the topography, geotechnical conditions, access to site, transportation and communications facilities, project layout, services to be provided by UNDP, method of measurement and payment of completed civil works.

Procurement of Services

The Terms of Reference (TOR) on the other hand, should define the work required and respective responsibilities of a Contractor either to design the equipment to be procured or to provide services. Adequate and clear TOR are imperative for an understanding of the assignment, which minimizes any risk of ambiguities during the preparation of solicitation documents, negotiations and execution of services.

TOR should include:

- Background information on the project;
- Objectives of the assignment;
- Scope of work, consistent with the budget;
- Deliverables (i.e., output) that must be submitted for approval;
- Period of performance and the review/approval time required;
- Selection criteria, qualifications and performance or other standards the contractor must fulfill;
- Provisions for monitoring and evaluation of performance; and
- If applicable, a detailed list of all inputs and services which will be provided to the contractor by UNDP or where applicable by the government counterpart, in order to perform the contract.

Inputs

- Procurement Plan

Deliverables

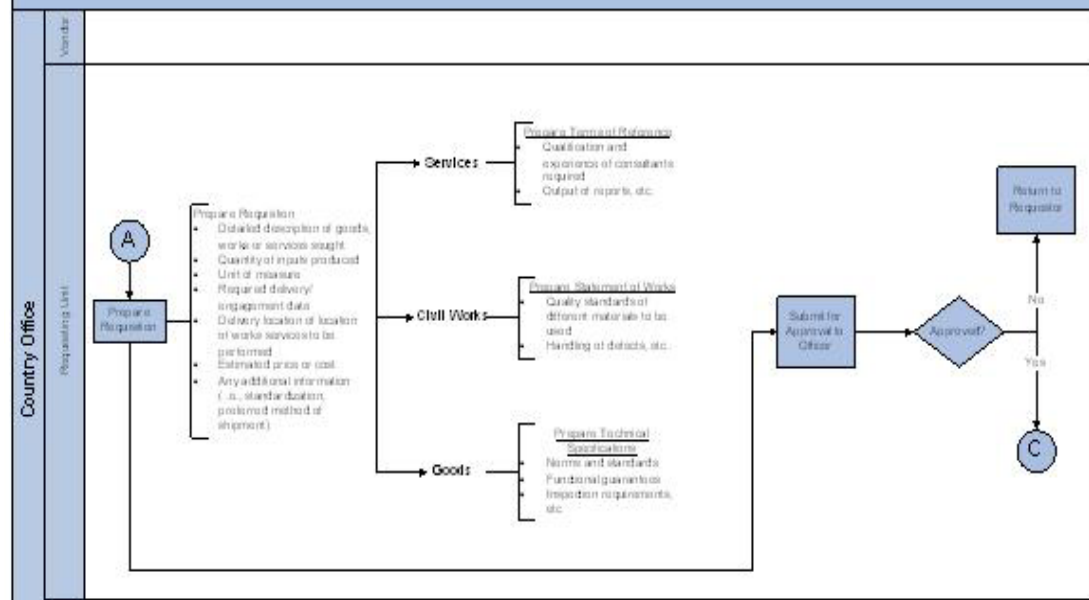
- Specifications
- Statement of Works
- Terms of Reference
- ATLAS Requisition

Templates and Forms

- Model Terms of Reference

Flow Chart

Procurement Process > Requisitions ^(B)



SOURCING OF SUPPLIERS

Description

Essential to effective competition and the promotion of fairness, integrity and transparency, UNDP is committed to an inclusive approach towards procurement, encouraging widespread sourcing. Therefore, the first step in sourcing Vendors or potential Suppliers is to identify whether there exists a market to provide the goods, civil works or services we require, then further to determine who are the key players within the existing market.

Relevant Policies

- UNDP Financial Regulations and Rules

A. MARKET RESEARCH

Description

The first step in sourcing Suppliers is often market research, particularly if the product or service has not previously been procured. Business Units may obtain names of potential Suppliers through registration of prospective suppliers at UNGM and/or business seminars, where applicable; an expression of interest for commonly procured goods or services; or prequalification.

To assist Business Units in this initial phase, the following databases and venues are available:

USER GUIDE JAN 2006

- United Nations Global Marketplace, a supplier database available to all UN procurement personnel;
- Office of Legal and Procurement Support, Bureau of Management, UNDP;
- DACON , a database of consulting companies maintained by the World Bank and the Inter-American Development Bank;
- Consultations with other UN organizations or agencies who have purchased similar inputs;
- Thomas Register, a comprehensive online resource for companies and products manufactured in North America;
- Kompass System, a widespread database with more than 23 million references to the products and services of over 1.8 million companies;
- ProSavvy, an online community of consulting and professional service providers;
- Trade publications, directories, supplier catalogues and professional journals; and
- Other procurement related websites.

Relevant Policies

- UNDP Fin. Rule 121.03(b) (May 2005)

Procedures

Registration of Prospective Suppliers

International Suppliers who wish to be considered for UNDP procurement contracts are able to register with the United Nations Global Marketplace (UNGM). UNGM, formerly The United Nations Common Supply Database (UNCSD) is a registry of Suppliers available to all UN procurement personnel, and is the main supplier database of various UN organizations, including UNDP. UNGM permits Business Units to take full advantage of improved search facilities, allowing for greater accuracy in identifying the appropriate Suppliers. Other features include, short-listing and data export facilities and a discussion forum. Registration with the UNGM, however, is not mandatory, and UNDP contracts may be awarded to non-registered Suppliers.

Aside from registration on UNGM, COs are encouraged to maintain a roster of qualified Suppliers to accommodate the specific needs of the country programmes.

Appraising Suppliers

Evaluation of New Suppliers

Once a roster of potential qualified Suppliers has been generated, Business Units should begin evaluating each Supplier's capabilities and resources to successfully perform on a contract, if awarded. Key parameters, which guide Supplier appraisal, include:

- Technical capacity to deliver the goods, civil works and/or services as per schedule;
- Financial strength, where the quick ratio tests the company's financial strength and liquidity. The quick ratio calculates a company's liquid assets in proportion to its liabilities. The higher the ratio is, the higher the Supplier's level of liquidity, which typically corresponds to its financial health. The optimal quick ratio is 1 or higher. To evaluate the

creditworthiness of the Supplier, current assets, or assets, which can be converted into cash immediately, are divided by its current liabilities. The equation however specifically excludes inventory.

For high value contracts (exceeding USD 1 million) and/or technically complex products, the Business Unit should obtain the Vendor's profile (i.e., financial statements, annual report) and is further advised to contact credit rating and reporting agencies (i.e., Dunn and Bradstreet, Moody's Investory Services) for reports on the company's production facilities, financial and management status.

- The commitment of Contractor to comply with UNDP General Terms and Conditions;
- Compliance with national or international quality standards for the product offered, or evidence of national and international acceptance of its services;
- Production capacity to provide after-sales-service for the goods or services provided;
- Environmental compliance (i.e. ISO 14000 Certification); and
- Participation in the UN Global Compact. To advance responsible corporate citizenship, the Global Compact, a voluntary corporate citizenship initiative sets forth two objectives: (1) mainstream the ten principles in business activities around the world; and (2) catalyse actions in support of UN goals.(*)

Expression of Interest

An expression of interest (EOI) is a cost-effective method to continually update a Country Office's supplier database where procurement planning has forecasted future requirements. An EOI is a written communication prepared by Supplier providing information about its products, services, resources, qualifications and experience. A Business Unit should solicit an EOI by publishing a notice on the websites of the CO, UNDP, IAPSO and/or UNDB. This informal process attributes selection based on the assessment of data provided by Suppliers. Depending on the complexity of goods, civil works or services to be procured, roughly two to four weeks should be provided for responses prior to short-listing.

Prequalification of Suppliers

Business Units may alternatively prequalify potential Suppliers, which meet established criteria to ensure that offers are sought only from Suppliers with requisite resources and experience. Prequalification does not preordain a contract. The process however ensures that solicitation documents are extended only to those with adequate capabilities and resources.

Advertisements and Invitations for Prequalification should provide a brief description of the goods, civil works and/or services to be procured; contract conditions; and eligibility requirements. Business Units must allow adequate time for potential Suppliers to prepare responsive applications for the specific procurement. The period between the notice of Invitation to Prequalify and the last date of return for completed applications should be no less than two weeks.

In addition, it is advisable to obtain a prospective Supplier's annual reports, catalogues, samples or any other tangible evidence, which would help establish the applicant as a dependable and reliable Supplier.

Once a list of qualified Suppliers has been formulated, successful applicants should be notified and requested to confirm their intention to submit offers.

Prequalification is generally recommended for large and complex contracts (i.e., involving USD 100,000 or more for civil works or the procurement of professional services).

() Although the Global Compact is not a regulatory instrument, it relies on public accountability and the ethics of companies to pursue projects and business operations that advance the principles of human rights, labor, the environment and anti-corruption. Participation in the Compact indicates to the Business Unit its commitment to conduct business in an ethical and transparent manner.*

Inputs

- Procurement Plan
- Requisition

Deliverables

- Country Office Supplier Database
- Expression of Interest
- Invitation for Prequalification

Roles and Responsibilities

- Supplier - refers to all entities, which provide goods, civil works and services.

Templates and Forms

- Supplier Registration Form
- Invitation for Prequalification
- Shortlisting for Goods/Services
- UNDP General Terms and Conditions for Goods
- UNDP General Terms and Conditions for Civil Works UNDP General Terms and Conditions for Professional Services

Additional Information

- United Nations Global Marketplace
- Office of Legal and Procurement Support
- DACON
- Thomas Register
- Kompass System
- Prosavvy
- UN Global Compact

Lessons

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Account Receivables}}{\text{Current Liabilities}}$$

The quick ratio evaluates the financial health of Suppliers, to provide reasonable assurance whether a business can pay off its financial obligations, both short-term as well as long-term, and will not be forced into bankruptcy. A firm with a low quick ratio may be more likely to delay payments because its assets are tied up elsewhere. The following exhibit illustrates the calculation of the quick ratio:

ABC Company
 Balance Sheet Ending 31 December 20XX

Assets		Liabilities and Shareholder's Equity	
<i>Current Assets</i>		<i>Current Liabilities</i>	
Cash and Cash Equivalents	10,000	Accounts Payable	45,000
Accounts Receivable	35,000		
Inventory	25,000	<i>Long –Term Liabilities</i>	
Total Current Assets	70,000	Taxes Payable	15,000
		<i>Total Liabilities</i>	60,000
<i>Fixed Assets</i>			
Plant and Machinery	40,000	<i>Shareholder's Equity</i>	
Intangible Assets	15,000	Common Stock	65,000
Total Fixed Assets	55,000	<i>Total Equity</i>	65,000
<i>Total Assets</i>	125,000	<i>Total Liabilities and Equity</i>	125,000

Cash (10,000)
 + Account Receivables (35,000)
 Quick Ratio (1)
 = -----

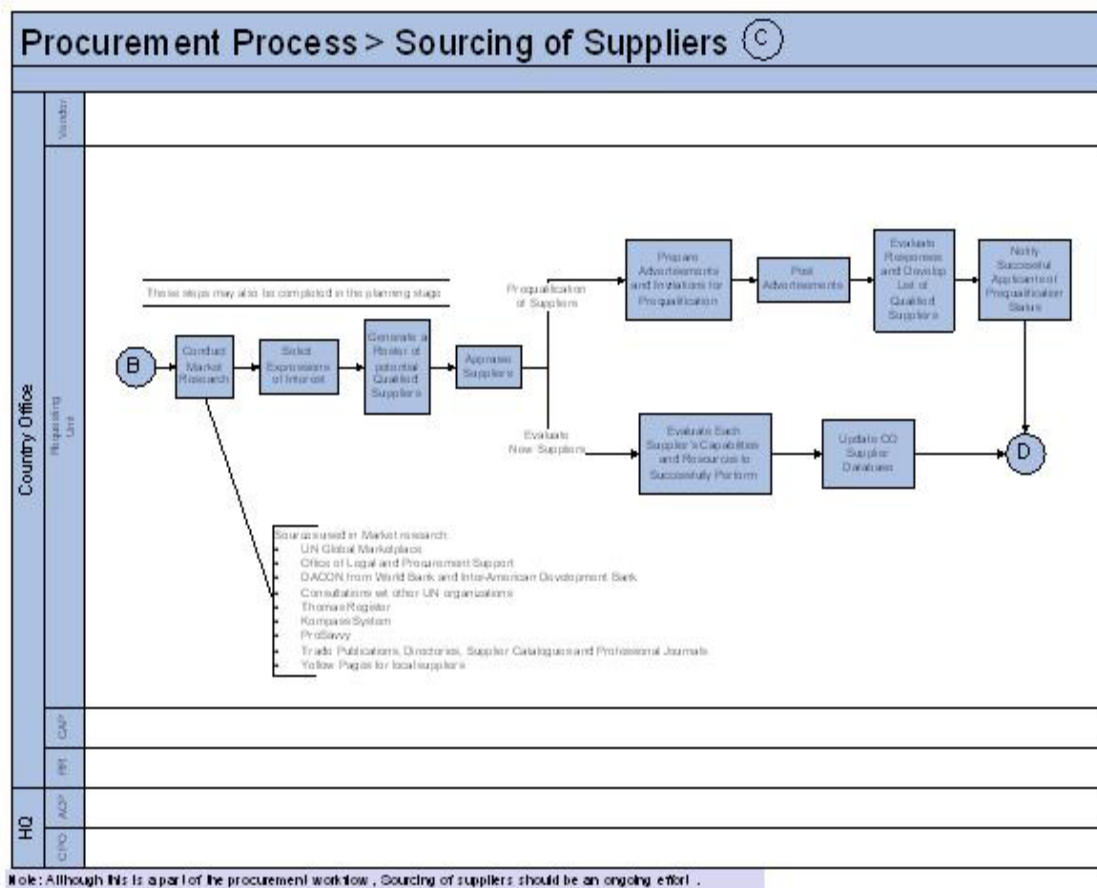
 Current Liabilities (45,000)

Related to the quick ratio is the net working capital of the Supplier, or the difference between Current Assets and Current Liabilities, representing the available liquid assets. In proportion to the value of the contract, the net working capital indicates whether Supplier retains accessible assets to commence on the contract.

On The Drawing Board

- E-Procurement ATLAS Module
- Strategic Sourcing ATLAS Module

Flow Chart



PROCUREMENT METHODS

Description

Business Units can use a variety of procurement methods for the solicitation and tendering of goods, civil works and/or services. The method selected depends upon a number of factors including the type of good or service being procured as well as its value.

The overall objective of the solicitation and tendering processes is to procure high quality goods, civil works or services as economically as possible. For UNDP, this objective is best achieved through the transparent use of public funds and effective competition, which affects the choice of procurement method and the documentation and procedures that are used.

Relevant Policies

- UNDP Financial Regulations and Rules

A. METHODS OF SOLICITING OFFERS

Description

Once a requisition has been approved, funding assured and specifications, statement of works or TOR prepared, the Business Unit must decide on a method of procurement, or modality by which to solicit offers for the required goods, civil works and/or services. Depending on the nature and size of the project and its procurement elements, commonly used methods of solicitation include:

- Request for Quotation;
- Invitation to Bid;
- Request for Proposal;
- Direct Contracting; and
- Local Shopping.

Relevant Policies

- UNDP Fin. Rule 121.03(e) (May 2005).
- UNDP Fin. Rule 121.04(a)(i) (May 2005).
- UNDP Fin. Rule 121.04(a)(ii) (May 2005).

Procedures

Request for Quotation

A Request for Quotation (RFQ) is commonly used for the procurement of goods, services and/or civil works where the contract value is between USD 2,500 and USD 100,000. If the inputs are required on a repetitive basis and the cumulative value of the contract exceeds USD 100,000 in the calendar year, the Business Unit should use either an ITB or RFP depending on its particular requirements.

A RFQ requests price, and other commercial terms and conditions for the required inputs from a roster of Suppliers. In compliance with effective competition, Business Units should evaluate quotations amongst a minimum of three responsive [where the offer complies with the requirements (i.e., specifications, delivery terms, UNDP terms and conditions)], AND qualified [where the Supplier satisfies basic eligibility criteria] offers, upon which award is made to the lowest priced acceptable offer.

Invitation to Bid

An Invitation to Bid (ITB) is generally used for the procurement of goods valued at USD 100,000 or more; or where technical approaches to the relevant project or the management/supervision of a project activity are not requested of prospective Vendors. ITBs request of prospective Vendors cost requirements to meet the precise specifications of goods sought by UNDP. ITBs may also apply for the procurement of civil works or services, which can be quantitatively and qualitatively expressed.

ITBs warrant public advertisement or the solicitation of bids from a short-list of qualified Vendors. Where a short-list of Vendors is used to invite bids, adequate justification (i.e.,

prequalification of Vendors; advertisement of an expression of interest; open advertisement was conducted during the last 12 months; emergency) must be documented.

To ensure economy and efficiency, Business Units should evaluate bids amongst a minimum of three responsive [where the offer complies with the requirements (i.e., specifications, delivery terms, UNDP terms and conditions)], AND qualified [where the Supplier satisfies basic eligibility criteria] offers, upon which award is made to the lowest priced acceptable offer.

Request for Proposals

A Request for Proposal (RFP) is recommended for all contracts exceeding USD 100,000 where the desired inputs and/or outputs cannot quantitatively and qualitatively be expressed in sufficient details at the time the invitation is made, for example, where consulting or such similar services or complex goods are sought by the Business Unit.

Although RFPs may also be used for the procurement of goods, civil works or services valued at less than USD 100,000, they are generally more complicated than RFQs and ITBs, involving many different processes hence further adherence to formal procedures of procurement. RFPs invite from prospective Vendors proposals offering a solution to the requirements specifications, statement of works or terms of reference describing the business need. In addition to the proposed solutions generally offered in the form of a technical proposal, prospective Vendors should indicate all associated costs as a separate financial proposal.

Similarly, to ensure economy and efficiency, Business Units should evaluate proposals amongst a minimum of three responsive [where the offer complies with the requirements (i.e., specifications, delivery terms, UNDP terms and conditions)], AND qualified [where the Supplier satisfies basic eligibility criteria] offers received in accordance to the two-envelope method, upon which award is made to the proposal that is most responsive to the specified requirements, including price and other factors.

Direct Contracting

Contrary to the aforementioned competitive solicitation methods, direct contracting without competition may be employed where a Business Unit engages IAPSO or another UN Agencies' services; or employs an IAPSO or HQ executed global long-term agreement (LTA); or alternatively, a local LTA.

The Business Unit may consider utilizing the procurement services of IAPSO or another UN Agency to conduct formal international competitive bidding exercises for substantial equipment requests. IAPSO or the UN Agency can conduct bidding exercises on behalf of the CO, based on generic technical specifications and present its outcome for final approval prior to contract awards for a fee. Instead of the Business Unit, IAPSO must seek relevant approval of the CAP and ACP if applicable, in line with prevailing UNDP requirements. Where a UN Agency has been retained to undertake a competitive exercise, any subsequent clearance and review must be in compliance with that Agency's procurement guidelines. Therefore, Business Units regardless of the contract amounts will require no further clearance from the contract review committees.

For common user items, such as health care equipment, computers, office supplies and equipment, vehicles, communications equipment, software, etc., IAPSO has itself entered into LTAs with various Suppliers as well as endorsed several existing UN LTAs. Therefore, Business Units are not required to seek CPO approval for LTA based inputs and can issue purchase orders under Direct Contracting regardless of the contract amount. To seek advantage of these competitive deals, Business Units are advised to visit UN Web Buy – the procurement portal maintained by IAPSO. UN Web Buy also provides benchmark prices for cost comparison of local markets. However, such prices are strictly confidential and should not be used or disclosed for the purposes of contract negotiations with third parties, undermining UNDP's procurement principles of fairness and competition.

In addition to the products available through UN Web Buy, IAPSO also offers cost-effective procurement of frequently procured items based on LTAs of other members of the Inter-Agency Procurement Working Group.

For business advisory or IT services, computers, vehicles, Global Fund drugs and healthcare equipment UNDP HQ has entered into global LTAs with various Suppliers applicable to all UNDP Business Units. Where a single UNDP LTA exists for a particular service or product, Business Units are not required to seek review and approval of the Contract Review Committees (i.e., CAP, ACP) or the CPO for LTA based inputs and can issue purchase orders under Direct Contracting regardless of the contract amount.

On the other hand, where multiple LTAs exist for a particular product or service, Business Units must solicit informal quotations. For example, HQ maintains a LTA with firms A, B and C for Change Management & Implementation Services. A Business Unit may not elect the services of A without first obtaining and evaluating quotations from B and C.

Alternatively, where a Country Office requires services or products repetitively; Business Units may opt for establishing a local LTA with the Supplier of such to streamline their needs and simplify the procurement process. However, prior to any formalized arrangement, the Business Unit must conduct a procurement exercise leading to the selection of a Supplier offering "best value for money." Further to the exercise and selection, the Business Unit must seek review and approval of the Contract Review Committees (i.e., CAP, ACP) and the CPO, upon which if approval is obtained, the Business Unit may execute a LTA. Once a LTA is in effect, the Business Unit is not required to seek approval for the duration of the Agreement and can issue purchase orders under Direct Contracting regardless of the contract amount.

Local Shopping

Shopping is a procurement method based on the comparison of informal price quotes obtained from potential Suppliers to assure best value for money, and is an appropriate method for the procurement of readily available off-the shelf goods or standard specification commodities valued less than USD 2,500, or simple civil works also valued less than USD 2,500. Purchase orders issued in the procurement of goods should indicate the description and quantity of the goods and specifications or civil works, as well as the desired delivery (or completion) time and place.

For such procurement valued less than USD 2,500, the Corporate Purchasing Card is available for Business Units to remit payment. The Purchasing Card serves as an alternative to UNDP for the procurement of goods and services, simplifying the payment process. Use of the Purchasing Card is informal and replaces use of petty cash. The Purchasing Card should not however be used for the procurement of capital assets valued at USD 1,000 or more, or having a life of three years. Nonetheless, as in all procurement methods the Business Unit must assess that goods or services obtained afford the best value for money.

To apply for the Purchasing Card, the RR or Head of the Business Unit must seek approval of the Card Administrator. For further details on the Corporate Purchasing Card Program, refer to the Card User Manual.

Inputs

- Procurement Plan
- Specifications
- Statement of Works
- Terms of Reference
- Requisition
- Evaluation Criteria

Deliverables

- RFQ
- ITB
- RFP
- LTA

Roles and Responsibilities

- Corporate Card Administrator - refers to the Director of the Office of Administration and Security

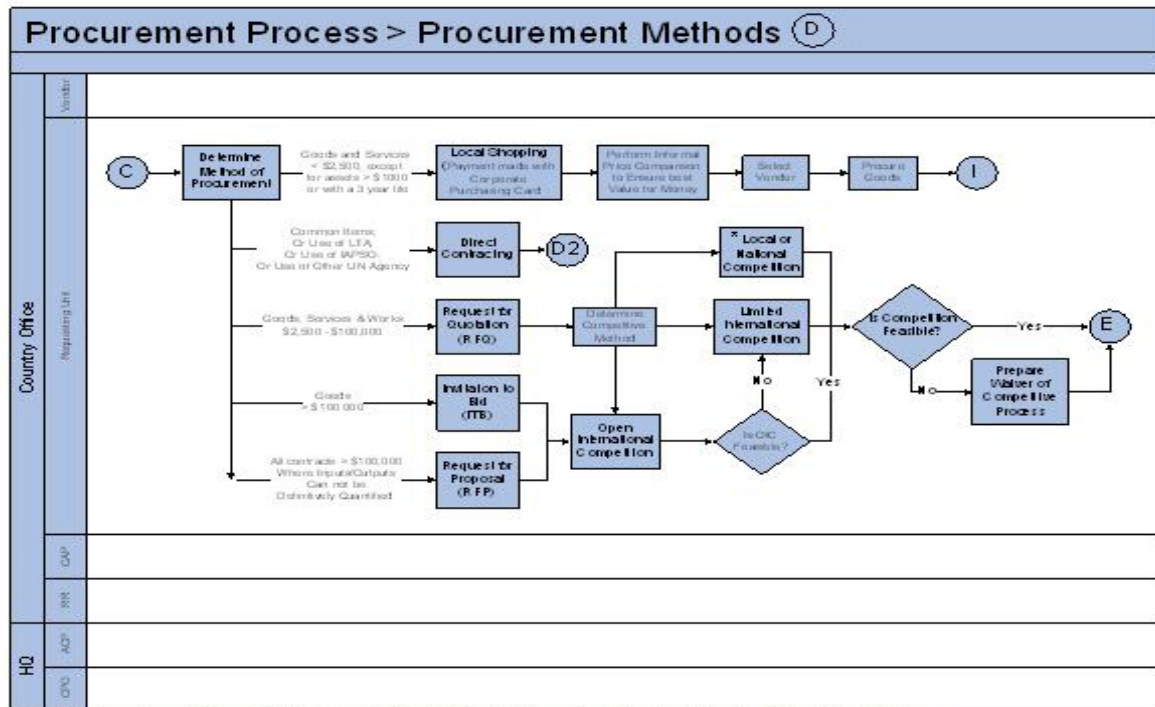
Templates and Forms

- Model Request for Quotation
- Model Invitation to Bid
- Model Request for Proposal
- Model Long Term Agreement

Additional Information

- IAPSO
- UNWEBBUY
- IAPWG
- UNDP Corporate Card Purchasing Program UNDP HQ Long Term Agreements

Flow Chart



* If local or national competition selected, the Country Office is still required to provide an international benchmark to validate selection.

B. TYPES OF COMPETITION

Description

Depending on the nature and size of the project and its procurement elements, UNDP may use any of the following competitive methods set out in these Guidelines to procure goods, civil works or services. Commonly used competitive methods include:

- Open International Competition
- Limited International Competition
- Local and/or National Competition

UNDP regards open international competition (OIC) as the preferred method of procurement with its overall ability to achieve all principal objectives of the intended programme. However, in many circumstances where it is determined that OIC is not feasible, staff may employ use of an alternative method. In such, UNDP requires its staff to ensure that the selected method is both economic and efficient (i.e., obtains the best value for money). All methods of procurement irrespectively must be open and fair to all interested Offerors to the extent possible.

Relevant Policies

- UNDP Fin. Rule 121.03(c) (May 2005).

Procedures

Open International Competition

Open international competition intends to provide all eligible and qualified Offerors adequate and timely notification of UNDP's requirements and to provide them equal access and fair opportunity to compete for contracts of required goods, civil works or services valued at USD 100,000 or more. Initiated by an advertisement, OIC invites interested Offerors to request the solicitation documents from the Business Unit.

For contracts valued between USD 100,000 and USD 500,000, advertisements should be posted on IAPSO's website and/or as a Procurement Notice on UNDP's website for ten to thirty days depending on the complexity and nature of the goods, civil works or services to be obtained.

For contracts valued greater than USD 500,000, advertisements should in addition be made in Development Business and/or a relevant publication of wide international circulation. UN Development Business (UNDB) is a publication providing comprehensive information on opportunities to supply goods, civil works and services for projects financed by the United Nations, governments and International Financial Institutions. UNDB is published both online and in paper form. The paper version is printed twice monthly and the online version (e.g., UNDB Online) is updated several times a week.

Limited International Competition

Limited international competition (LIC) narrows competition amongst an ongoing shortlist of qualified Suppliers selected in a non-discriminate manner by the Business Unit either from rosters, prequalification, expressions of interest, etc. LIC is appropriate where OIC is unsuitable, exigent circumstances persist or the global market retains a limited availability of the required goods, civil works or services.

Local Competition

Local competition, unlike the aforementioned international competitive methods is generally exercised for procurement in the country where the programme is to be deployed. Business Units may use local competition where:

- Civil works are scattered geographically or spread over time and the country has a sufficient base of Suppliers (i.e., minimum of three);
- Professional services are valued at USD 30,000 or less;
- Goods are available locally at prices below the global market price; or
- Programmes require knowledge of the local/national system (e.g., Human Development Report).

Where applicable, advertisements shall be published in the national gazette or national or local newspaper or local publications to ensure thorough competition.

Inputs

- Procurement Plan
- RFO
- ITB
- RFP

Deliverables

- Procurement Notice

Roles and Responsibilities

N/A

Templates and Forms

N/A

Additional Information

- IAPSO Procurement Notices
- UNDP Procurement Notices
- UNDB

Lessons

- For professional services valued at USD 30,000 or less, an Institutional Services contract should be utilized.

- The term "global market prices" refers to the benchmark prices of IAPSO, UN Agencies or HQ LTAs.

C. EXCEPTIONS TO COMPETITION

Description

As competition serves as the foundation of UNDP procurement, unjustifiably evading such process is a serious departure from UNDP Financial Regulations and Rules. Strict review and approval processes have therefore been established to ensure that the waiver process is not abused. Exceptions to competition such as Waiver of Competitive Process, crisis situations and direct contracting exist in limited circumstances.

Relevant Policies

- UNDP Fin. Rule 121.05 (May 2005).
- UNDP Fin. Rule 121.03(d) (May 2005).

Procedures

Waiver of Competitive Process

All requests seeking waiver of competitive process for contracts valued at USD 30,000 or above, must be submitted to the CPO for final approval, following review of the CAP and the ACP. For contracts valued less than USD 30,000, the RR or Head of the Business Unit is authorized to waive short-listing and competitive bidding; however, the RR or Head of the Business Unit must ensure that a record is made of the reason(s) for waiving competition.

A waiver of competitive process is typically used to procure goods, civil works or services and is subject to review of permissible justifications as set forth in UNDP Financial Regulation 121.05(a). When seeking a waiver, justifications must delineate all parameters of impracticability or impossibility, which preclude the use of standard competitive processes.

Procurement in Crisis Situations

In a crisis situation an attempt is generally made to give priority to "curative operations" to recover from risk to health or life, through emergency intervention, deployment of a peacekeeping mission and/or humanitarian support, followed by recovery, rehabilitation, reconstruction and development. In such situations with need for quick action and immediate results, deviations from normal procurement rules may be made.

CDs and/or RRs are authorized, to waive competition for contracts valued up to USD 100,000, so long as the obtained offers conform to specifications, SOW or TOR, and delivery schedules; and such contracts are submitted for post-facto review of the CPO.

For contracts involving commitments of USD 100,000 or more, the CD/RR may request the CPO to waive the requirements for an ITB or RFP pursuant to:

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- The CD/RR requests a waiver of competitive process, explaining why time does not permit the normal procedures to be followed, and the alternative procurement arrangements that the RR proposes to make;
- If the CPO approves the request, the CD/RR must retroactively submit the contract to the local CAP, valued between USD 100,000 and 300,000, as well as to the ACP for contracts of USD 300,000 or more;
- Regardless, a copy of the signed contract valued above USD 100,000 must be provided to OLPS citing all relevant justifications for the selection of the contractor.

Inputs

- Procurement Plan
- RFQ
- ITB
- RFP

Deliverables

- Request for Waiver of Competitive Process

Templates and Forms

- ACP Online
- Request for Waiver of Competitive Process

Additional Information

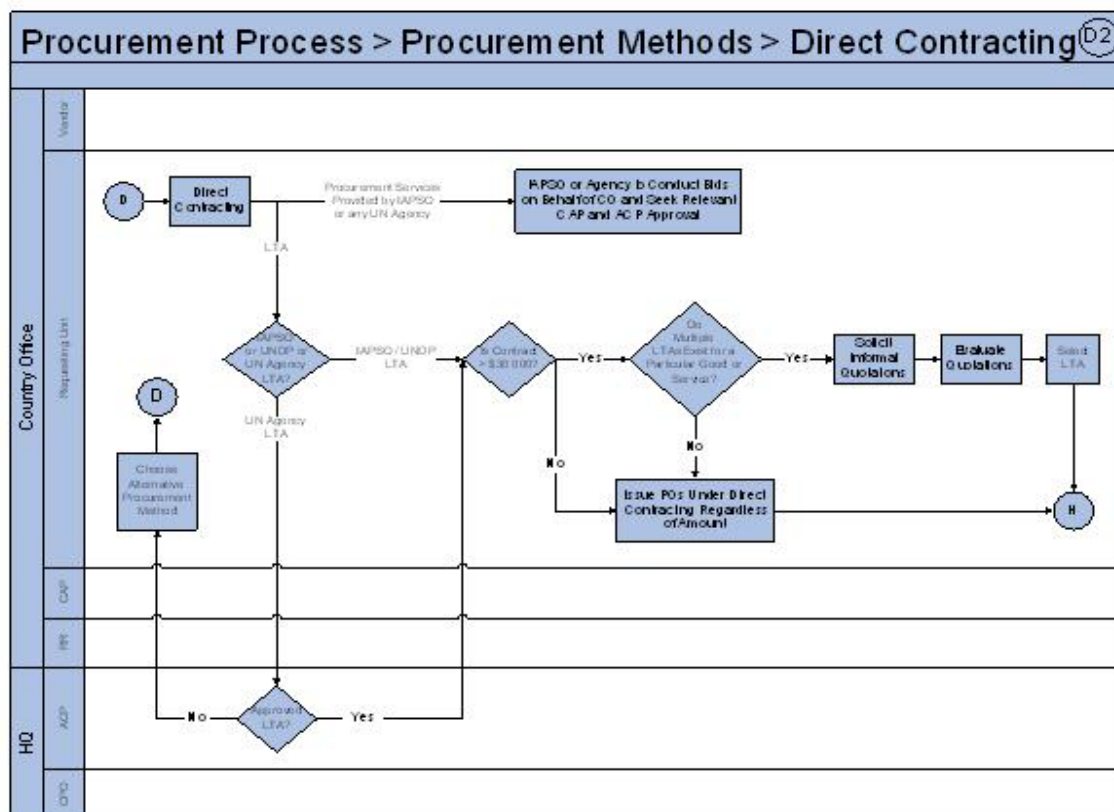
- ACP Online User Guide

Lessons

Permissible Waivers	Examples of Acceptable Justifications
Where the value of the procurement is below USD 2,500.	Local shopping.
No competitive market for performance or price is available.	Presence of a monopoly exists; fixed pricing by national legislation; or where the requirements involve proprietary product or service.
Determination or need for standardization.	Compatibility with existing pipe network requires specific brand equipment.
A cooperative agreement exists with Supplier and a UN entity.	A UN LTA exists, however, not validated by UNDP.
Offers for identical requirements have been obtained competitively within the past 12 months and the prices and conditions offered remain competitive.	Prices of goods obtained six months ago following a competitive exercise, remain valid.
Formal solicitation has not produced satisfactory results within a reasonable period of time.	Pursuant to a competitive bidding exercise, six bids were received of which four failed to comply with stated technical requirements.
The proposed procurement contract is to purchase or lease real property.	Selection of location based on security concerns.
Genuine exigency for the requirement exists.	Natural disaster, health epidemic, or sudden unforeseen crisis.
The proposed procurement contract is for relevant services that cannot be objectively evaluated.	Cutting edge technology
The CPO has otherwise determined that formal solicitation will not furnish satisfactory results.	_____

On The Drawing Board

- CAP Online



SOLICITATION PROCESS

Description

Upon a determination of which procurement method (i.e., RFQ, ITB, RFP) to employ, solicitation documents assist Business Units in obtaining qualified offers for the intended programme. Although the details and complexity of the solicitation documents vary according to the nature and value of the requirements they contain all information necessary to prepare a bid, proposal or quotation that should provide the best value for the required inputs.

Relevant Policies

- UNDP Financial Regulations and Rules

A. SOLICITATION DOCUMENTS

Description

Solicitation documents generally include the following:

- An invitation to offer;
- Instructions to the offerors;
- Form of the offer requested (i.e., bid, proposal, quotation)
- Form of the proposed contract (i.e., purchase order, contract for professional services);
- Conditions of contract, both general and special;
- Technical specifications or terms of reference or statement of works;
- Evaluation criteria; and
- Minimum qualification requirements.

Solicitation documents should clearly define the scope of work to be performed; the location of the work; the goods to be supplied; the place of delivery or installation; a schedule for delivery or completion; minimum performance requirements; and the warranty and maintenance requirements, as well as any other pertinent terms and conditions. Where appropriate, the documents should also define the tests, standards and methods that will be applied to assure the conformity of delivered equipment, performed civil works or services, in accordance to the specifications, SOW or the TOR.

Relevant Policies

- UNDP Fin. Rule 121.03(d) (May 2005).
- UNDP Fin. Rule 121.03(e) (May 2005).

Procedures

While drafting the solicitation documents, Business Units should consider the following scenarios for the required inputs:

- Lump-Sum Offers – when the bidding document covers a large number of low-cost line items, in respect of which separate contract awards would not be advantageous to UNDP for logistical reasons, offers may be invited on a lump-sum basis. In such cases, Offerors may be permitted to respond on a per item basis or an “all or nothing” basis. UNDP, upon specific language asserted in the solicitation documents, may also retain the option to convert lump-sum offer prices into pro-rata unit prices.
- Grouping of Similar Items – similar items should always be grouped, whether or not a bid requests such grouping. In the case where required inputs are dissimilar, it is advisable to separate the items into individual invitations or lots.
- Changes in Quantity – where the exact quantity required is not known in advance, an estimated quantity may be indicated on an invitation. The estimate however must be accompanied with a provision that the UNDP reserves the right to increase or decrease the indicated quantity by 25 percent.

Language

Solicitation documents and offers shall be prepared in one of the following working languages, selected by the Business Unit: English, French or Spanish. The contract signed with the selected Supplier shall be written in the language so selected for the solicitation documents, and this language shall be the one that governs the contractual relations between the Business Unit and the Supplier.

Letter of Invitation

A letter of invitation to solicit offers should be drafted on UNDP's letterhead and include:

- Reference to the specific quotation, bid or proposal and title;
- A list of supporting documents issued; and
- The date and place of submission and bid or proposal opening.

Instructions to Offerors

The instructions to Offerors should be drafted to meet the particular requirements of individual contracts. The purpose of the instructions is to convey all relevant guidelines to govern the preparation, submission and evaluation of offers. The instructions must also include a list of documents required to form a complete tender; as well as notice to Offerors that offers may be rejected unless substantially responsive. A substantially responsive offer is one that conforms to ALL the terms, conditions and specifications included in solicitation documents, without material deviations or reservations.

When determining the offer period, the Business Unit must ensure that adequate time is available for Offerors to prepare their quotations, bids or proposals, taking into account the size and nature of the project. The offer period may be anywhere from one week to six weeks depending on the complexity of the desired input (e.g., standard off-the-shelf item vs. a detailed proposal).

Alternate Proposals

The solicitation documents shall clearly indicate whether Offerors are permitted to submit alternate proposals or not. If so, the alternate proposals should include detailed specifications, environmental specifications, where applicable and associated costs, to allow a fair technical and financial evaluation of the proposal.

Modifications to Bids/Proposals

The instructions should stipulate whether any additional information, clarification, correction of errors or modifications of bidding documents should be distributed to Offerors prior to the deadline for receipt to enable Offerors to take appropriate actions. Similarly, Offerors should also be informed of the right to modify or make corrections to bids or proposals, provided that any such modification or corrections are received by the Business Unit in writing prior to the time specified for submission of bids/proposals. The original bid/proposal thus modified or corrected would then be considered as the official offer.

Currencies and Payments

The instructions should indicate the currency or currencies in which Offerors should state prices as well as the currency or currencies in which payment will be effected. For purposes of comparing prices of offers received, Business Units should convert prices to a single currency. UNDP shall make the conversion using the UN operational rate of exchange on the last date for the receipt of quotations, bids or proposals.

Bid or Proposal Securities

Business Units have the option of requiring a bid or proposal security, or a bank guarantee. When used, a bid or proposal security should be based on the value and complexity of the contract. In general, request of a bid or proposal security is advisable for all contracts exceeding USD 300,000, in the amount of two percent of the estimated total contract value. A bid or proposal security should always be stated as a specific sum rather than as a percentage of the contract amount.

If such security is requested, a standard Bid Security Form should be part of the solicitation documents.

The recommended period of validity for the security shall equal the period of validity of the tender plus the time allowed for the Offeror to provide the performance security under the terms of the eventual contract between UNDP and the Offeror. Depending on the complexity of goods, civil works or services to be procured a sufficient validity time of approximately 30 to 90 days is acceptable to evaluate bids or proposals.

Where bid or proposal securities have been requested, such security shall be released to unsuccessful Offerors once the contract has been signed with the winning Contractor.

Performance Security

All contracts (i.e., goods, civil works, services) exceeding USD 500,000 require a performance security in an amount sufficient to protect UNDP in the case of breach of contract by the Contractor. The amount of the security may vary, depending on the nature and magnitude of civil works. The recommended performance security should equal 10 percent of the total contract amount. A performance security is retained to extend sufficiently beyond the date of completion or receipt to cover defects or maintenance up to final acceptance by UNDP. In addition to the provision of a guarantee to protect against non-performance of a contract, such security may also cover warranty obligations, and any installation or commissioning requirements.

A performance security should be denominated in the currency of the contract and shall be in one of the following forms:

- Bank guarantee or irrevocable letter of credit, issued by a reputable bank;
- Cashier's cheque or certified cheque;
- Performance bond; or
- Percentage of total payment held as retention money until final acceptance.

The performance security shall be returned to the Supplier within 30 days of completion of the contract, including any warranty obligations.

Checklist for ITB and RFP

The following checklist may be used to assist in the preparation of instructions to Offerors and indicates subjects that should be addressed:

- Language of the offer;
- Number of copies required;
- Validity period of the offer;
- Warranty period of the goods, civil works and/or services requested;
- Any document(s) other than those issued as a part of the solicitation document which offeror must include in the tender (e.g., technical description, drawings, quality control, environmental impact);
- Procedures for dealing with queries raised by offerors;
- Instructions for packing, labelling and addressing the offer;
- Circumstances under which alternate offers may be submitted;
- Arrangements for the opening of tenders;
- Procedures for dealing with arithmetic errors found in offers during evaluation;
- Evaluation criteria;
- Rules relating to the disqualification or rejection of offers (e.g., late submissions, transposed figures, incomplete submissions, deviations); and
- Procedures for dealing with protests.

Offerors' Queries

Offerors' queries should be handled by correspondence or by pre-bid/proposal conference or by a combination of the either method:

- **Correspondence Method** – any Offeror requiring clarification of the solicitation documents should submit the queries to the Business Unit in writing. In its response, the Business Unit shall prepare and dispatch written replies to such queries. These replies, together with the text of the queries should be sent by mail or email to all Offerors and/or posted on the CO's website, without referencing the source of the queries.
- **Pre-Bid/Proposal Conference Method** – queries from the Offerors are dealt with at a pre-bid/proposal conference. As far as possible oral responses shall be given by the Business Unit during the conference. Within a reasonable time after the conference, the Business Unit should send all Offerors, whether present at the conference or not, a full set of minutes recording all queries and formal replies. Consequently, the minutes shall prevail over any oral responses provided to Offerors during the conference. Representation from each Offeror should be limited to two persons at the conference.

Inputs

- Procurement Plan
- ATLAS Requisition

Deliverables

- RFQ
- ITB
- RFP

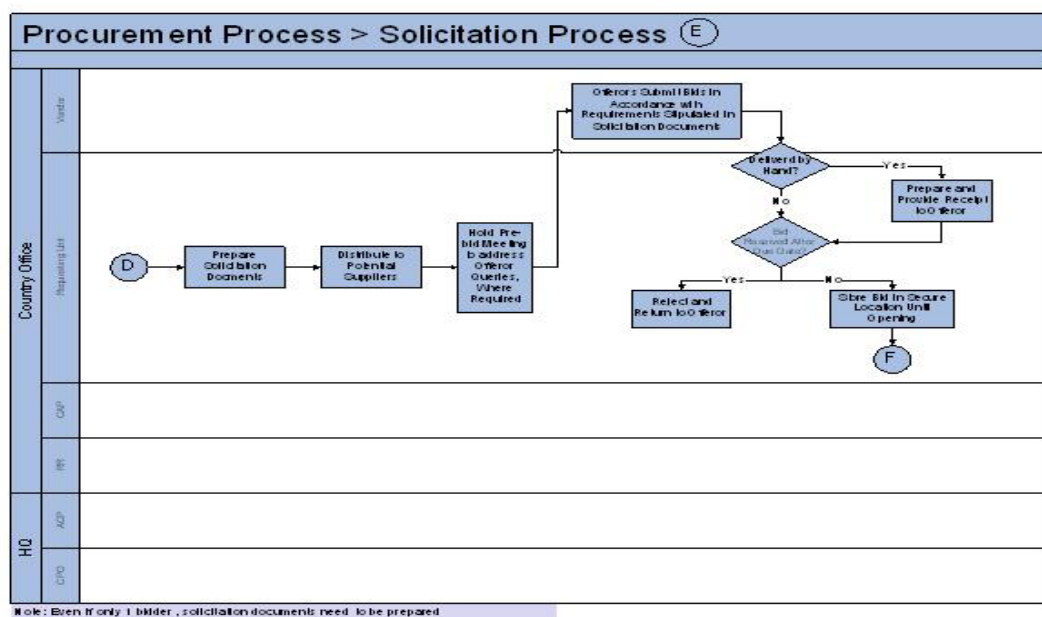
Templates and Forms

- Evaluation Criteria
- Model Request for Quotation
- Model Invitation to Bid
- Model Request for Proposal
- Bid Security Form
- Performance Security Form

Additional Information

Solicitation documents may be distributed to potential Suppliers electronically, by post or notified by advertisement in relevant international, national or local publications. Where electronic solicitation documents are distributed, Business Units should PDF such documents to protect against revision.

Flow Chart



B. SUBMISSION AND RECEIPT OF OFFERS

Description

It is the responsibility of Offerors to ensure that the offers are submitted to the Business Unit by the submission date and time, and properly signed by authorized signatories. To ensure practicality and avoid receipt of untimely offers, it is recommended that the deadline date permit acceptance up till the close of business.

All offers shall be received in strict accordance with these Guidelines. The solicitation documents must stipulate that all competitive quotations, bids or proposals are due upon a specified date and time at the designated UNDP office. UNDP will not accept offers after the stated date and time, or those sent to any other location.

Relevant Policies

- UNDP Fin. Rule 121.03(d) (May 2005).

Procedures

Submission of Offers

It is the responsibility of Offerors to ensure that the offers are submitted to the Business Unit by the submission date and time, and properly signed by authorized signatories. To ensure practicality and avoid receipt of untimely offers, it is recommended that the deadline date permit acceptance up till the close of business.

If offers are delivered by hand, Offerors should obtain a receipt from the Business Unit as a record of the date and time of delivery.

Quotations, bids or proposals received after the designated date and time should be immediately returned unopened and accompanied with an explanatory letter indicating the date and time of receipt.

Receipt of Offers

In the case of a RFQ, the Business Unit may receive offers directly, either by mail, fax or email within the designated period, where effective internal controls permit such acceptance by mail, fax or email.

However, in the case of an ITB or RFP, an individual, not directly concerned with the procurement function, should receive all offers. All bids or proposals should be time/date stamped upon receipt and placed in a locked container, such as a cabinet or safe until the bid opening time and date. Access to the container shall be confined to the personnel duly authorized by the RR or Head of the Business Unit. Where facsimile responses have been received and sealed, the dedicated facsimile machine is to be afforded the same degree of control for bids/proposals received by post. Where offers are accepted by email, the Business Unit should create a specific email address for Offerors to forward their tenders. An individual unaffiliated with procurement activities should open such emails. Business Units should insure that effective internal controls are in place prior to acceptance of offers by email, fax or email.

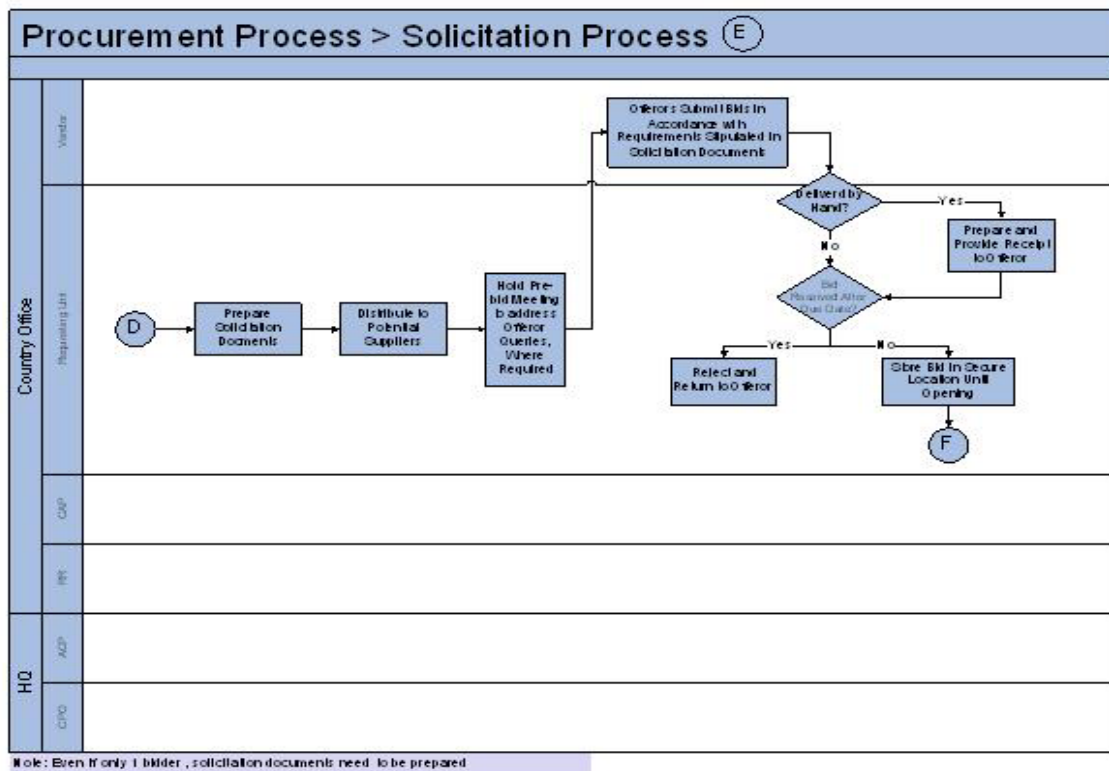
Any bids or proposals inadvertently opened prior to the due date must be brought to the attention of the RR or Head of the Business Unit immediately for further action.

Any unsolicited bids or proposals shall be rejected.

Inputs

- Quotation
- Bid
- Proposal

Flow Chart



EVALUATION OF OFFERS

Description

Once a solicitation method and a forum for competition has been determined and tender documents distributed to potential Offerors, a Business Unit must ensure that adequate controls are in place for the receipt and evaluation of offers. Regardless of how effective each phase of the procurement process is executed, if the offers - quotations, bids or proposals - are not evaluated in a fair and transparent manner, the overall process fails. The purpose of evaluation in accordance to UNDP principles is to ensure that the most qualified and responsive offer affords best value for money.

Relevant Policies

- UNDP Financial Regulations and Rules

A. EVALUATION OF QUOTATIONS, BIDS AND PROPOSALS

Description

The preliminary examination of quotations, bids or proposals determines whether the offers meet the procedural requirements of the solicitation documents. The purpose of such examination is to eliminate unsatisfactory offers from further and more detailed consideration, which fail to meet minimum standards of acceptability, thus rendered substantially unresponsive.

Relevant Policies

- UNDP Fin. Rule 121.03(d) (May 2005).

Procedures

Evaluation of Quotations

Upon the receipt of quotations, the offers should be opened and assessed in the presence of an evaluation team appointed by the Business Unit. A RFQ evaluation team should generally be comprised of a minimum three members to ensure fairness and transparency. All quotations should be evaluated against the minimum selection criteria to determine (1) if goods, civil works or services conform to designated criteria, and (2) if the Supplier is reliable; - considering the following factors:

- Conformity to specifications, statement of works or TOR;
- Product quality (i.e., conformity to national/international product standards);
- Delivery time and terms;
- Compliance with UNDP General Terms and Conditions; after-sales services; and
- The landed price.

In the case of quotations, price serves as the overriding measure upon which to award a contract unless the offer is rejected for a specific reason (e.g. Offeror failed to quote on the product requested or failed to deliver the quote within the specified time frame).

Opening of Bids or Proposals (USD 100,000+)

Where bids have been obtained pursuant to an ITB, such bids should be opened publicly at the time and place specified in the ITB. UNDP recommends the opening of bids to be held on the same day as the deadline for receipt of offers. Only those Offerors who have submitted bids may attend the bid opening; however, the Offeror may authorize a local agent or the concerned Embassy to represent them.

All duly received bids should be accompanied by an abstract indicating the following:

- Offeror's name and place of business;
- Bid price and currency;
- Price of alternate bids, if applicable;
- Bid security, if requested; and
- Discounts, if any proposed by offeror.

The aforementioned information should be recorded on a suitable form signed by UNDP staff (e.g., a minimum of two CAP members) conducting the opening and appropriate witnesses.

In the case of RFPs, a public opening of proposals received is not necessary, as financial proposals may not be opened without the completion of a technical evaluation.

Where Offerors have submitted more than one bid or proposal, the Offeror must clearly indicate which tender to consider. Where this is not evident, the bid or proposal that provides the most advantageous terms to the UNDP will be considered.

Evaluation of Bids

Upon the receipt and opening of bids, the offers are to be evaluated by an evaluation team appointed by the Business Unit. An evaluation team should be comprised of three to five members, providing objective and independent advice and knowledge of the specific subject matter. The evaluation team should in addition be chaired by an experienced individual offering varied perspectives and sound analytical support to the RR or Head of the Business Unit on procurement activities.

All bids must be evaluated against the specifications, statement of works or TOR stipulated in the solicitation documents. The relative scoring system and evaluation criteria must be established before an ITB is sought. Each criterion should be attributed weight in relationship to the proposed programme:

- Conformity to specifications, statement of works or TOR;
- Product quality (i.e., conformity to national/international standards);
- Delivery time and terms;
- Compliance with UNDP General Terms and Conditions; after-sales services;
- Spare part(s) availability for the required period;
- Technical and financial capacity of the Offeror; and

- The landed price.

All bids should be tabulated on a summary sheet duly signed and certified by the evaluators. Only bids offering goods, civil works or services with the characteristics meeting or exceeding those in the specifications and commercial terms shall be considered acceptable. In the case of bids, price serves as the overriding measure upon which to award a contract unless the offer is rejected for a specific reason (e.g. Offeror failed to bid on the product, civil works or services requested or failed to deliver the bid within the specified time frame).

Evaluation of Proposals

Upon the receipt and opening of proposals, all offers are to be evaluated by an evaluation team appointed by the Business Unit. An evaluation team should be comprised of three to five members, providing objective and independent advice and knowledge of the specific subject matter. The evaluation team should in addition be chaired by an experienced individual offering varied perspectives and sound analytical support to the RR or Head of the Business Unit on procurement activities.

In the case of professional services, proposals should provide a detailed cost estimate (e.g., consultancy rate per day; number of workdays; travel estimates). Such cost estimate is applicable to goods, civil works and/or services (e.g., equipment, installation, civil works) that are interrelated in order to assist Business Units determine which items may be negotiated, where applicable, or which items can be modified as per the budget.

Received in two separate envelopes (i.e., technical, financial), the evaluation team must first open the technical proposal, followed by the financial proposal. Business Units have the following two options by which to score proposals:

Lowest Price

A proposal shall be considered non-responsive and rejected, if it fails to substantially satisfy the specifications, SOW or TOR, or it fails to achieve a minimum technical score as specified in the RFP. An Offeror's response to the solicitation document is evaluated and points are attributed based on how well they meet the defined desirable criteria. An offer should be considered qualified and responsive if it receives a score of at least 70 percent on the technical proposal. Any offers, which do not meet this requirement, must be rejected as being non-responsive.

The financial proposal of only those Offerors obtaining the minimum 70 percent score during technical evaluation should be opened. The remaining financial proposals of Offerors whose technical proposals are deemed unacceptable shall be remain unopened.

Cumulative Analysis

Under the cumulative analysis scheme, a total score is obtained upon the combination of weighted technical and financial attributes. An Offeror's response to the solicitation document is evaluated and points are attributed based on how well they meet the defined desirable criteria. Cost under this method of analysis is rendered as an award criterion, which should not be less than 30 percent out of a total score of 100 of all the desirable

factors of the RFP. The weight of financial proposals should take into account the complexity of the assignment and its relative proportion to quality. The designated weightings of both the technical and financial proposals should be specified in the RFP at the time of solicitation.

Inputs

- Evaluation Criteria
- Quotations
- Bids
- Proposals

Deliverables

- Evaluation Report

Roles and Responsibilities

- Evaluation Committee - refers to a group of individuals, generally comprised of three to five members, who provide objective and independent advice, knowledge and an assessment of the Offerors and their offers.

Templates and Forms

- Bid Opening Record

Additional Information

- A substantially responsive offer is one that conforms to ALL the terms, conditions and specifications included in solicitation documents, without material deviations or reservations.
- A qualified offer is one that in which a Supplier satisfies basic eligibility criteria.
- The term "commercial terms" refers to delivery period and terms; payment terms; warranties and after-sales services

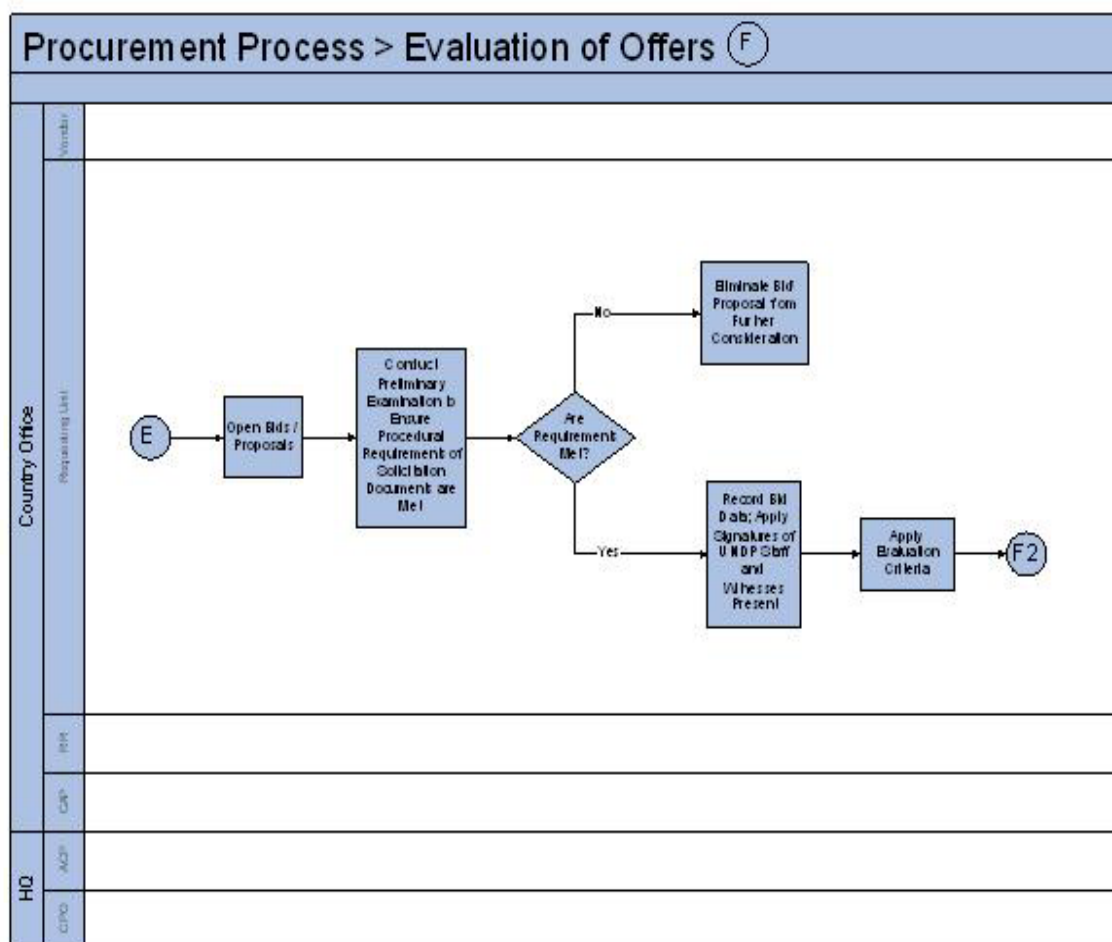
Lessons

N/A

On The Drawing Board

N/A

Flow Chart



CONTRACT REVIEW COMMITTEES

Description

In order to conduct procurement activities in a manner consistent with accepted professional purchasing practices, it is the policy of the UNDP to ensure that all appropriate rules and regulations have been fulfilled. The review process marks the fundamental phase of the procurement cycle, confirming that offers received are the result of a fully compliant process, and that sufficient budgetary funding exists for the proposed contract.

Relevant Policies

- UNDP Financial Regulations and Rules
- Asset Management User Guide

A. CONTRACTS, ASSET AND PROCUREMENT COMMITTEE

Description

A Contracts, Asset and Procurement Committee (CAP) should be established by the RR in each UNDP Country Office to render written advice to the RR on procurement actions. CAPs may also be established at Headquarters by Bureau Directors or Office Directors to seek advice on the following procurement actions:

- Any contract to be entered with a single contractor with respect to a single requisition for a specific project/purpose or a series of related requisitions received and processed for a specific project/purpose in a calendar year – beginning January 1 and ending December 31 – valued at USD 30,000 or more.
- Any amendment, modification or renewal of a contract previously reviewed by the CAP, where the contract amendment or a series of amendments in the aggregate either increases the total contract amount by 20 percent or more, or valued at USD 30,000 or more, whichever is less.
- Any amendment, modification or renewal of a contract not previously submitted to the CAP, where the revised total contract amount is valued at USD 30,000 or more.
- Proposed contract of any value, which could reasonably lead to a series of related contracts, the total is valued at USD 30,000 or more.
- Where the following cases lead to the disposal, write-off or transfer of goods and/or property with an asset value USD 2,500 or more per item:
 - Disposal by sale or donation of supplies, equipment or other property which are in surplus to the operating requirements of the Country Office or unserviceable through obsolescence or normal wear and tear;
 - Write-off of equipment, supplies and other property lost, damaged or stolen;
 - Disposal of project equipment, including equipment obtained for NEX projects for which title of ownership is still maintained by UNDP;
 - All vehicle accidents involving UNDP and project vehicles where gross negligence is not the cause.
- Procurement of services as related to individual consultants under a SC or RLA in a contract amount valued at USD 30,000 or more or in aggregate exceeding USD 30,000 or more.
- Procurement of services as related to individual consultants under a SSA in a contract amount exceeding USD 100,000 or in aggregate exceeding USD 100,000.
- Any other matter relating to a contract or disposal of an asset as referred to the Committee by the RR or Head of the Business Unit.

Relevant Policies

- UNDP Fin. Rule 121.01(b)(ii) (May 2005).
- UNDP Fin. Rule 121.01(b)(iii) (May 2005).

Procedures

Composition of the CAP

The CAP shall be composed of four Members, three regular Members and a Chairperson, appointed by the RR or Head of the Business Unit in their individual capacity. The Committee shall have an equal number of alternates.

No Member or alternate may participate in the deliberations of CAP concerning any submissions originating within their purview, unless specifically requested by the Chairperson, for clarification or presentation purposes. If so requested, the report should stipulate all necessary reasons for their inclusion.

The Committee may include representatives of other UN Agencies, Funds, and Programmes, however such Members should then apply UNDP procurement policies in their decisions. In such case the RR or Head of the Business Unit shall evidence reasons for broader inclusion on non-UNDP staff. At all times however, a majority of UNDP staff must comprise a majority of the CAP's composition. In addition, a professional UNDP staff member must hold the role of Chairperson (as well as the role of the Alternate Chairperson), preferably a Deputy Resident Representative not directly involved in the procurement function.

All CAP Members are appointed to serve in their individual capacity for a period of two years, providing to the RR or Head of the Business Unit, objective and independent advice on all matters referred to the CAP. Where feasible in the CO, regular CAP Members should be rotated annually, whereas the Chairperson shall be renamed upon the conclusion of two-year service. Periodic rotation of Members ensures experienced membership, varied perspectives and sound advisory support to the RR or Head of the Business Unit on procurement activities.

The RR or Head of the Business Unit shall appoint as Secretary to the CAP, an individual with relevant experience and qualifications in procurement and asset management. The Secretary shall coordinate CAP meetings; distribute and present relevant documentation to the CAP Members for the facilitation of CAP meetings; prepare CAP reports and any correspondence; as well as maintain a permanent record of all documentation and reports. The Secretary shall however retain no voting authority in the CAP.

Inputs

Submission to the CAP

Business Units shall prepare all documentation related to the procurement of goods, civil works or services, or the disposal/write-off of goods. The CAP shall require as a minimum, the following documentation:

- A completed submission form containing the minimum information necessary to render a reasonable assessment; and
- A copy of the solicitation document; published advertisements seeking offers and all offers obtained.

In such cases where the RR's or Head of the Business Unit's decision is contrary to the advice of the CAP, the RR or Head of the Business Unit shall record the reasons for such decision.

Deliverables

Documentation

RRs and Heads of Business Units shall ensure that all documentation of decisions; CAP recommendations and submissions are maintained for a minimum of five years.

RRs and Heads of Business Units shall forward to OLPS an annual summary report of all CAP recommendations as well as their individual decisions, in addition to a summary of all signed contracts valued at USD 30,000 or more. The summary of contracts should comprise the following:

- Names of Suppliers;
- Values of the contracts;
- The types of goods, civil works or services procured; and
- The countries of supply.

Roles and Responsibilities

The Terms of Reference that define the parameters of the CAP include the following:

- Ensure that the proposed procurement and contract action is in accordance with UNDP Financial Regulations and Rules, these Guidelines and other instructions;
- Review the procurement and contract process to ensure that it is fair, competitive, transparent and provides the best value for money;
- Review the financial and legal implications of the proposed contract;
- Review the evaluation process including the environmental impact;
- Ensure that the competitive offer is being sought for disposal of goods, where applicable; and
- When writing-off asset(s), ensure that there is no negligence. If so, provide advice for future action.
-

Templates and Forms

- Request for Waiver of Competitive Process
- CAP Submission Form
- Annual Contracts Summary

Additional Information

- Accepted professional purchasing practices refer to those public procurement principles set forth by the WTO and/or UNCITRAL.

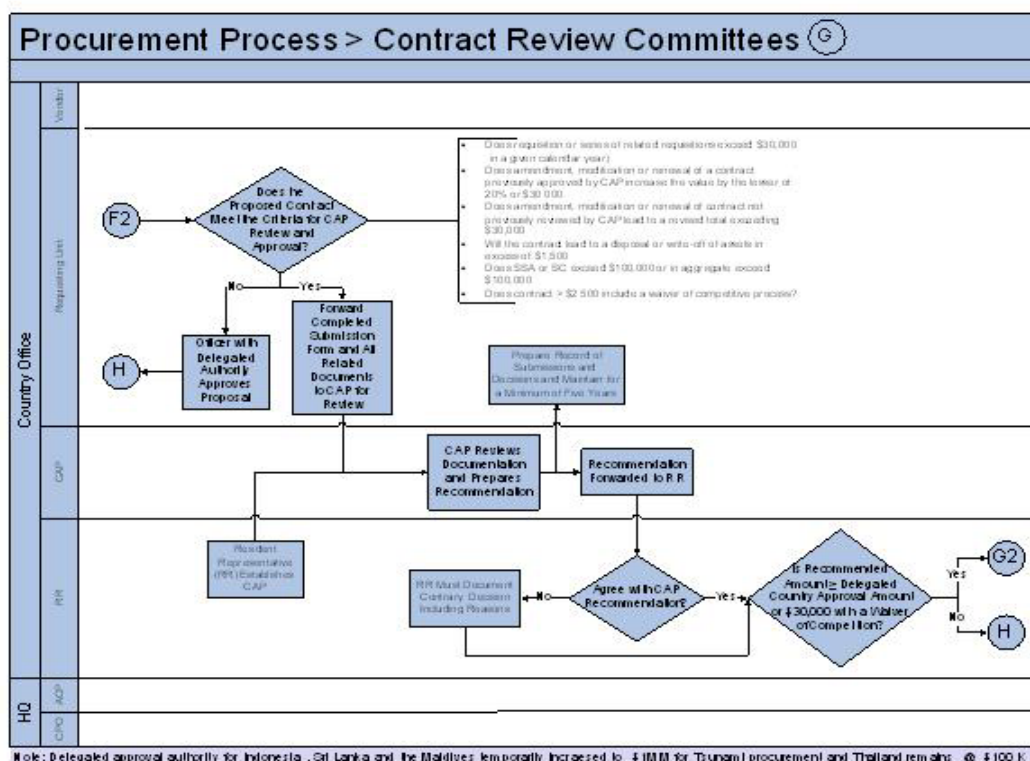
Lessons

- CAP Minutes

CONTRACT, ASSET & PROCUREMENT MANAGEMENT
 USER GUIDE JAN 2006
 On The Drawing Board

- CAP Online

Flow Chart



B. ADVISORY COMMITTEE ON PROCUREMENT

Description

The Advisory Committee on Procurement (ACP) has been established at Headquarters and in select Bureaux to review and render written advice to the CPO on UNDP's procurement functions involving:

- Proposed contracts which involve commitments to a Supplier with respect to a single requisition for a specific project/purpose, or a series of requisitions relating to the same specific project/purpose, received and processed in a calendar year – beginning January 1 and ending December 31 – valued at USD 100,000 or more.
- Proposed contracts or series of related contracts, which generate income of USD 10,000 or more (i.e., revenue through the sale of proprietary information) in a calendar year.
- Any amendment, modification or renewal of a contract previously reviewed by the ACP, where the contract amendment or a series of amendments in the aggregate either

increases the total contract amount by 20 percent or more, or valued at USD 100,000, whichever is less.

- Any amendment, modification or renewal of a contract not previously submitted to the ACP, where the revised total contract amount is valued at USD 100,000 or more.
- Proposed contracts of any value which could reasonably lead to a series of related contracts the total of which may be USD 100,000 or more; and
- Where the following cases lead to the disposal, write-off or transfer of goods and/or property with an asset value USD 30,000 or more:
 - Disposal by sale or donation of supplies, equipment or other property which are in surplus to the operating requirements of the Country Office or unserviceable through obsolescence or normal wear and tear;
 - Write-off of equipment, supplies and other property lost, damaged or stolen;
 - Disposal of project equipment, including equipment obtained for NEX projects for which title of ownership is still maintained by UNDP;
 - All vehicle accidents involving UNDP and project vehicles where gross negligence is not the cause.
- Procurement of services as related to individual consultants (i.e., SSA, SC, RLA) in a contract amount valued at USD 100,000 or more or in aggregate exceeding USD 100,000 or more.
- Any other matter relating to a contract or disposal of an asset as referred to the Committee by the RR or Head of the Business Unit.
- Proposed contracts submitted to the Regional ACP valued in excess of the Regional CPO's delegated approval authority.
where the CPO refers such additional matters relating as to procurement to the HQ and Regional Committees. (*)
- Where the CPO refers such additional matters relating as to procurement to the HQ and Regional Committees.

(*) *This provision applies only the HQ ACP.*

Relevant Policies

- UNDP Fin. Rule 121.01(b)(ii) (May 2005).
- UNDP Fin. Rule 121.01(b)(iii) (May 2005).

Procedures

Composition of the ACP

The HQ Committee is composed of a Chairperson, an Alternate Chairperson, regular Members and a Secretary. Members of the ACP are selected by the CPO due to their extensive experience with procurement and asset management, enabling each to formulate objective evaluations on cases submitted to them by COs, Bureaux or Units.

Business Units, including HQ Units, and the Regional Bureaux are invited to send a representative to the ACP meeting as observers in which respective submissions are the subject of deliberation. However, no ACP Member may participate in Committee deliberations regarding a submission originating from the Member's own Unit unless requested by the Chairperson. No such Member may, under any circumstance participate in the final vote on a recommendation.

A quorum consisting of the Chairperson (or Alternate Chairperson), three Members and the Secretary is necessary for any meeting to take place.

Similar to the HQ ACP, the Regional ACP is composed of a Regional CPO, also the Chairperson, regular Members and a Secretary. Members of the Regional ACP are selected by the CPO due to their extensive experience with procurement and asset management, enabling each to formulate objective evaluations on cases submitted to them by respective COs. A quorum of the Regional ACP necessitates presence of the Chairperson, three Members and the Secretary for any meeting to take place.

Schedule of Meetings

The HQ and Regional Committees generally meet every week. A schedule of meetings for the year is made available to all Members and COs, Bureaux and Units at the beginning of each calendar year.

Direct Review

To expedite the procurement process for contracts on an exceptional basis (i.e., crisis or emergency procurement situations), valued at USD 100,000 or more, the approval of the CPO may be sought directly without prior review by the ACP, if the following conditions are met:

- International competitive bidding was conducted in accordance with UNDP's general principles on procurement (e.g., best value for money, fairness, effective competition, integrity);
- At least three technically qualified bids or proposals were received; AND
- In the case of bids, the Offeror presents the lowest price OR in the case of proposals, the Offeror offers either the lowest price or obtains the highest cumulative score.
-

In all cases, the submission must be complete, as per the standard format designated within ACP Online, having first obtained preliminary review of a local CAP, and then OLPS or the Regional ACP Secretariat, prior to its submission to the CPO.

Inputs

Submission to the ACP

Only staff duly authorized by the CPO to enter into contracts or other agreements may submit proposals to the ACP.

In order to facilitate the work of the HQ and Regional Committees and to allow sufficient time for review, the ACP Secretariat must receive all submissions through ACP Online, no

later than two working days prior to the date of the next scheduled meeting. Any submissions received after the due date will not be reviewed at the next meeting. To expedite the review and approval of ACP submissions in conjunction with promoting e-documentation; ACP Online enables Business Units to create and submit cases for ACP and Direct Review in an electronic format.

The HQ and Regional Committees may invite representatives of the submitting Business Units to provide clarification on any points of the submission.

If the HQ and Regional Committees recommends to defer consideration of a submission for the purpose of obtaining further relevant clarification, and this recommendation is endorsed by the CPO; the Business Unit concerned should provide the requested supplementary information and resubmit by means of ACP Online to the HQ and Regional Committees for the next appropriate meeting.

Deliverables

Recommendations of the HQ and Regional Committees

The ACP Secretary shall record deliberations of the HQ and Regional Committees in ACP Online for review of the Regional and/or HQ CPO no later than three business days following the ACP meeting.

In addition to the deliberations of the Regional Committee and the recommendation of the Regional CPO, all proposed contracts valued in excess of the Regional CPO's delegated approval authority shall require secondary review of OLPS and the HQ CPO.

In situations where the Regional or HQ CPO's decision is contrary to the advice of the ACP, the CPO shall record all reasons for such decision within ACP Online.

Roles and Responsibilities

The Terms of Reference which guide the ACP, include:

- Ensure that the proposed procurement action is in accordance with UNDP Financial Regulations and Rules, procedures and instructions;
- Review the procurement process to ensure that it is fair, competitive, transparent and provides the best value for money;
- Examine the financial and legal implications of the proposed contract;
- Review the evaluation process including the environmental impact;
- Ensure that the competitive offer is being sought for disposal of goods, where applicable;
- When writing-off asset(s), ensure that there is no negligence. If so, provide advice for future action; and
- Ensure that appropriate funds are available to cover the cost of the proposed contract.

Additional Information

- ACP Online

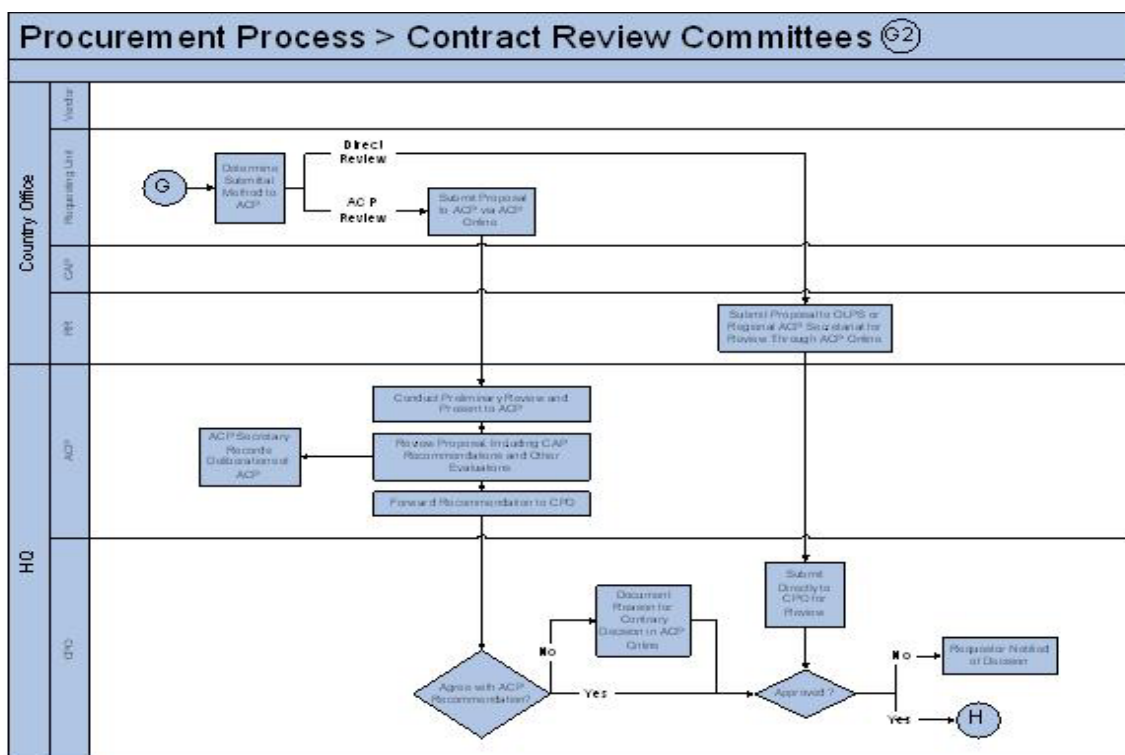
CONTRACT, ASSET & PROCUREMENT MANAGEMENT
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- ACP Online User Guide
- Schedule of ACP Meetings
- Schedule of Increased Delegation of Procurement Authority

Lessons

- Good ACP Submission
- Bad ACP Submission

Flow Chart



AWARD OF CONTRACT

Description

Once a Business Unit identifies an Offeror that meets the prescribed requirements and whose tender has been determined (1) to be substantially responsive to the solicitation documents, and (2) to offer the best value for money; and is further approved by the Contract Review Committees and CPO, the Unit may award a contract. A contract is an agreement between UNDP and a Supplier providing goods, civil works and/or services, which demonstrates:

- The parties' intent to contract;
- A clear offer and a clear acceptance of the offer;
- The parties are legally capable of contracting;
- A price has been set that UNDP agrees to pay the supplier;
- A legal purpose for the procurement; and a clear agreement between contracting parties about the terms and conditions of the contract.

Relevant Policies

- UNDP Financial Regulations and Rules

A. GENERAL CONSIDERATIONS OF CONTRACTING

Description

Basis of Award

Business Units shall award contracts within the period of the offer's validity, to the Offeror that meets the prescribed requirements and whose bid has been determined (1) to be substantially responsive to the solicitation documents, and (2) to offer the best value for money.

Where quotations have been solicited, price and other commercial terms and conditions are requested and award is made to the lowest priced technically acceptable offer.

On the other hand, where bids are solicited, generally price is the sole determinant in making an award. The contract is awarded however to the lowest evaluated offer, where all technical criteria are met. The term "lowest evaluated offer" comprises, where possible, the costs of additional components, such as life cycle costing (i.e., running cost, maintenance cost) amongst other qualified and responsive competent offers.

However, in the case of proposals, a contract is awarded to either (1) an Offeror, which attains the minimum qualifying technical score and presents the lowest financial proposal; or (2) the Offeror, which obtains the highest cumulative score of both the technical and financial proposals combined. Price is only one of several factors comprising the evaluation criteria. Award is made to the qualified and responsive Offeror whose proposal substantially

conforms to the requirements set forth on the solicitation documents and is evaluated to be the lowest cost to the UNDP.

Relevant Policies

- UNDP Fin. Rule 121.04(a) (May 2005).
- UNDP Fin. Rule 121.04(a)(i) (May 2005).
- UNDP Fin. Rule 121.04(a)(ii) (May 2005).
- UNDP Fin. Rule 121.06 (May 2005).

Procedures

General Provisions

Contracts shall be awarded within the designated period of the offer's validity and clearly define:

- The nature of the goods, civil works and/or services being procured;
- The quantity being provided;
- Contract or unit price;
- Duration of the contract;
- Conditions to be fulfilled, including applicable UNDP general terms and conditions;
- Terms of delivery and payment;
- Name and address of supplier; and the rights and obligations of UNDP and of the supplier.

Modifications and/or additions to the UNDP General Terms and Conditions are prohibited. However, if required and expressly approved by OLPS, special conditions appropriate to the nature and location of the project may be supplemented to the standard Terms and Conditions.

Where a performance security is required to ensure performance during the warranty period, a contract should be signed only upon receipt of the performance security in the form of a bank guarantee or performance bond.

Business Units should maintain written documentation for all contracts awarded to a single Supplier in an aggregate amount of USD 2,500 or more to facilitate preparation of the annual summary of contracts as well as in the case of an audit.

Negotiations

As price is key factor in the selection of the Supplier, negotiation of such term is not recommended. However, negotiations may be carried out with the selected Supplier regarding payment terms, supplementary terms and conditions, delivery, etc. Negotiations, nonetheless, should result in a clear understanding of responsibilities under the contract.

Contract Types

A selection of contract types is available to UNDP to provide needed flexibility in acquiring the variety and volume of goods, civil works or services required. Contract types vary

according to (1) the degree and timing of the costs of performance, and (2) the amount and nature of achieving specified standards or objectives.

- Lump-sum contracts (commonly used in UNDP);
- Time and materials based contracts, generally used when hiring the services of individual consultants from an agency; or
- Percentage contracts, measuring consultancy costs as a percentage of total construction costs, generally for architectural services. However, this contract type should be discouraged.

Liquidated Damages

Where time is of the essence, provisions for liquidated damages or similar provisions, generally established at one percent of the total contract amount per week, shall be included in the conditions of contract when delays result in extra cost, or loss of revenue or loss of other benefits to the Business Unit. Such a provision provides a claim of right to remedies, deducting a fixed percentage for each day or week of delay as compensation for losses sustained in the case of non- or late performance.

Once a deduction of 10 percent has been obtained, the Business Unit may consider termination of the contract.

Such a provision for liquidated damages may be reasonably increased in excess of 2 percent where time is of the essence (e.g., elections are to be held March 14, 200x, delivery of equipment is scheduled no later than March 1. Equipment arriving later than March 1 will be subject to liquidated damages).

Contract Amendments

Once a contract subject to prior review has been awarded and signed, Business Units are permitted to amend provisions in one of two situations:

- Contract provisions dictate modification; or
- In furtherance to the execution of an original contract additional related goods, civil works or services are to be rendered by the same entity.

All amendments must be requested by the RR or Head of the Business Unit citing the revised contract provision(s), the original provision(s) and the affected specifications, statement of works or TOR; and submitted for review through the CAP, and the ACP via ACP Online.

Debriefing Unsuccessful Offerors

In general, UNDP does not debrief unsuccessful Offerors. In the case of highly technical or complex awards, however, a debriefing may be conducted upon request from an unsuccessful Offeror. The scope of the debriefing meeting is limited to an identification of technical deficiencies or weaknesses within the Offeror's proposal. Business Units are

advised not to discuss with Suppliers (1) the financial or cost information of other Offerors; (2) the evaluation scoring; or (3) other proposals received.

Protest Procedures

Any Offeror who is aggrieved in connection with the solicitation or award of a contract may file a protest with the Business Unit (i.e., RR, Head of the Business Unit). To be complete, protests must contain the following information:

- The protestor's name, address, telephone number and fax number;
- The solicitation or contract number, name of contracting office and the procurement officer;
- A detailed statement of all factual and legal grounds for protests, and an explanation of how the protester was prejudiced;
- Copies of relevant documents supporting protester's statement;
- Statement as to form of relief;
- All information establishing that the protestor is an interested party for the purpose of filing a protest; and
- All information establishing the timeliness of the protest.

Any incomplete protest received by UNDP will not be entertained.

Upon receipt of a written protest, responses must solely be prepared and executed by the RR or Head of the Business Unit. Any protests served upon UNDP staff must immediately be referred to the RR or Head of the Business Unit without further discussion or communication with the protestor. Protests served by Permanent Missions to HQ must be referred to OLPS.

Once received, the Unit must:

- Issue a written acknowledgement within two working days;
- Initiate an investigation of the protestor's allegations;
- Following the conclusion of the investigation, document the results in the form of memo to files;
- If necessary, seek an advisory opinion from OLPS; and
- The RR or Head of the Business Unit will prepare a letter that responds to the issues raised by the protestor and addresses any other issues, which, even if not raised by the protestor, have been identified by the Business Unit as being relevant to the fairness of the procurement process.

The RR or the Head of Business Unit must address in the first instance any complaint or protest from an unsuccessful Offeror. The Business Unit should also advise in its response, that should the protestor not be satisfied, they should address their complaint, along with the response, to the Director, OLPS, who will undertake a review and make a decision, which is final and binding on all concerned.

When a protest is filed prior to award, a contract may not be awarded unless determined by the RR or Head of the Business Unit that 1) the goods, civil works or services are urgently required, 2) delivery or performance would unduly be delayed in failure to award promptly, or 3) a prompt award would be in the best interest of UNDP.

When a protest is filed after award, the RR or Head of the Business Unit shall immediately suspend performance pending resolution of the protest, unless continued performance is justified. The RR or Head of the Business Unit may authorize contract performance, notwithstanding the protest, upon a finding that: 1) contract performance would be in the best interest of UNDP, or 2) urgent and compelling circumstances which significantly affect the interests of UNDP do not permit delay for a decision.

Transparency

To enhance transparency, COs should post all contract awards valued at USD 100,000 and more on the websites of the CO, IAPSO and/or UNDP. Notice of awards should indicate the following:

- Brief description of the contract;
- Contract amount;
- Date of contract;
- Name of the supplier; and
- The executing agency.

Inputs

- RR Approval
- CAP Recommendation
- ACP Recommendation
- CPO Approval

Deliverables

Contract Formats

Purchase Orders

In the case of goods valued at USD 2,500 or more procured by UNDP, contracts must be issued in the form of a written purchase order. (e.g., 20,000 first aid kits for a GFATM project in Senegal)

Institutional Services Contracts

Institutional services contracts are utilized to contract with an institution or other legal entity for professional services valued at USD 30,000 or less. The institutional services contract serves as a less formal agreement as the services may not be considered complex, warranting additional protective measures such as are standard in the professional services contract. (e.g., electrical wiring services valued at USD 25,000 for HQ)

Professional Services Contracts

Professional services contracts, on the other hand are employed to contract with an institution or other legal entity in order to perform professional services generally valued above USD 30,000, for specified deliverables. (e.g., demining operations valued at USD 498,000 in Southern Afghanistan).

Reimbursable Loan Agreement

Reimbursable loan agreements (RLA) are used when contracting with a government institution; university; or other legal entity comprised of at minimum three staff personnel to engage consultancy services of select individuals. (e.g., Professor X of ABC University to undertake anti-corruption studies valued at USD 125,000 for a period of one academic year)

Civil Works

Contracts for civil works are drawn up for the procurement of transportation, infrastructure, civil or environmental engineering services required by the Business Unit. (e.g., construction of a thermal power station valued at USD 12.5 million in Northern Iraq)

Long Term Agreements

A long-term agreement (LTA) is a mutual arrangement with Supplier to provide goods or services as required, over a specific period of time, with the quantity to be determined at prescribed prices or pricing provisions. LTAs are distinguished by the repeated nature of the transaction consequent of the relationship established between parties. Long-term purchase agreements are common practice to ensure a reliable source of supply goods and services at the lowest price. (e.g., UNDP retains an option to purchase TB drugs from ABC, Inc. at a fixed rate for two years)

Special Service Agreement

Special service agreements (SSA) are utilized to contract individual consultants or temporary support personnel for services on a short-term basis, not to exceed 11 months. (e.g., X is retained by BRSP for a period of four months to coordinate an upcoming conference on the Millennium Development Goals)

Service Contracts

Service contracts alternatively are employed to procure individual consultants or support personnel as needed on a long-term basis. Service contracts are distinguished from a SSA due its duration and provisions for specific benefits. (e.g., Y is retained by Regional Centre in Bangkok to provide ATLAS Help Desk Support for a period of two years)

Templates and Forms

- Model Institutional Services Contract
- Model Professional Services Contract
- UNDP General Terms and Conditions for Professional Services
- Model Contract for Civil Works

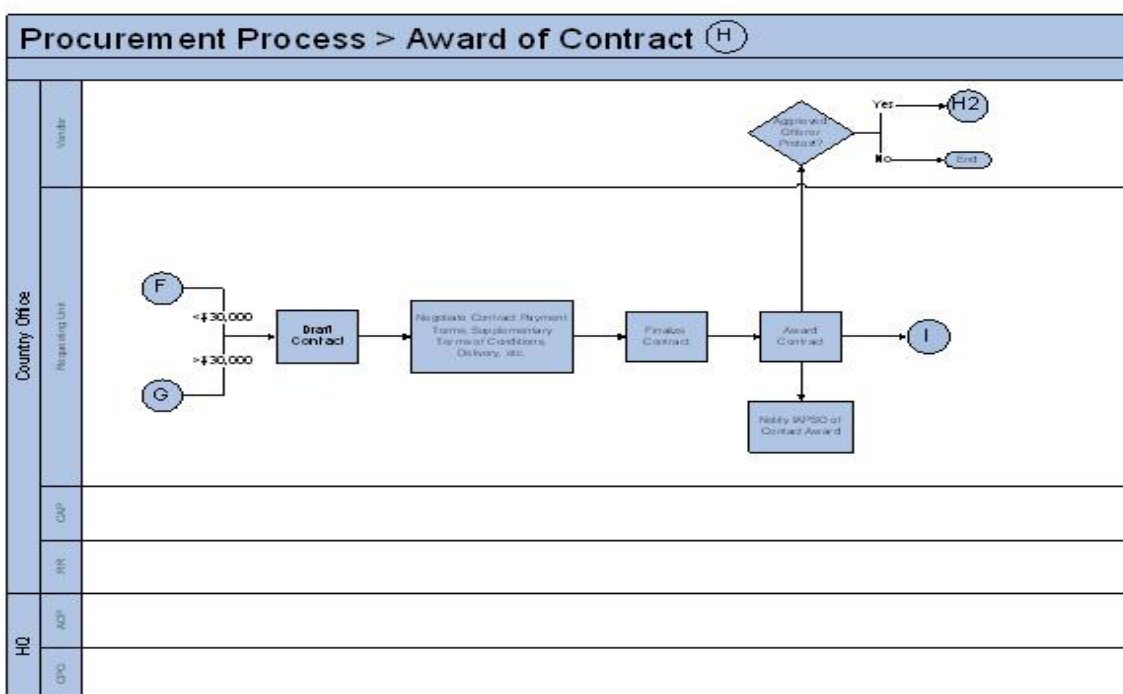
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- UNDP General Terms and Conditions for Civil Works
- Model Reimbursable Loan Agreement
- Model Long Term Agreement

Additional Information

- IAPSO Contract Award Announcements
- UNDP HQ Long Term Agreements
- SSA User Guide
- Service Contract Guidelines
- RLA Guidelines

Flow Chart



B. RETROACTIVE/POST FACTO CONTRACT

Description

Post-facto situations occur in the event that a contract or purchase order has or has not yet been issued by UNDP, however the services have been rendered or the goods purchased and received. Conversely, a retroactive case occurs when no contract or purchase order has been issued, although, either the Supplier has begun providing services or the goods have been ordered but not yet delivered.

Business Units should make every effort to avoid post-facto or retroactive cases. Nevertheless, if such circumstances occur, approval of the CPO is required immediately, for all such contracts valued at USD 30,000 or more, before payment may be made or; if payment has been made, for such expenditures to be accepted by UNDP as legitimate charges against the appropriate budget line(s). Notwithstanding subsequent approval of the CPO, if given, such contracts do not constitute, and must not be construed as a precedent or justification for the failure to take the timely and appropriate action(s).

Relevant Policies

- UNDP Financial Regulations and Rules

Procedures

To seek the approval of the CPO, Business Units must provide:

- An explanation of the circumstances resulting in the post-facto or retroactive situation, such as (1) what transpired, (2) when, (3) persons involved, (4) delays resulting in late submission, (5) emergency or unusual circumstances, (6) processes, precautions or controls followed, (7) why it still resulted in failure, and (8) what mechanisms have been put into place in order to ensure that such situations are prevented in the future.
- The reasonableness and acceptability of the procurement activity:
 - Details of the activity, including the nature of services or goods; duration; cost; conformity with project requirements; and evidence of an agreement to the activity from, or by the Government or the Beneficiary as appropriate.
 - Reasonableness of the activity/cost demonstrating its economy, efficiency and equity.
 - Successful completion of the activity including certification by an authorized official that services has been satisfactorily performed; and requested outputs have been produced (i.e., reports, documentation) and are acceptable to all parties.
 - In the case of a contract for civil works, a certificate signed by the engineer should be submitted stating:
 - (a) That the project has been designed and constructed according to the proper specifications; and
 - (b) That no accidents or injuries have occurred during construction, which would cause UNDP to be potentially liable for any damages whatsoever.
- Confirmation that no financial loss has occurred to UNDP or the Funding Sources as a result of this circumstance. If so, an explanation must be provided.
- And any other matters, as appropriate (e.g., special contractual provisions, if any, applicable as a result of the procurement actions such as warranties, copyrights, etc.).

Inputs

- RR Approval

Deliverables

- CAP Recommendation

- ACP Recommendation
- CPO Approval
- Retroactive/Post-Facto Contract
- ATLAS Purchase Order

Roles and Responsibilities

N/A

C. SHIPPING AND INSURANCE

Description

The cost of transportation is a significant component in the cost of goods purchased by Business Units and delivered to the Therefore the contract should state the mode of transport and terms of insurance to be provided by Supplier. Freight, or the cost of transportation services is particularly critical where procurement is requested for land-locked countries. In general, freight costs range anywhere from 10 to 15 percent of the total cost of goods.

Modes of Transport

Five basic modes of freight transportation – sea, rail, road, air and parcel post – are used, either individually or in combination, in international transportation. Business Units should consider modes of transport that are both economical and efficient. In general, rail, road and air transport costs are comparatively higher than freight by sea, thus UNDP recommends sea transport. To ensure sound delivery however, it is advisable to select a conference liner, which operates along definite routes and pre-determined ports of call.

Relevant Policies

INCOTERMS 2000

The International Commerce Terms (INCOTERMS) define the obligations of both buyer and seller relating to shipment of goods. INCOTERMS 2000 shall govern shipment terms of all UNDP contracts.

Commonly used terms in UNDP procurement include:

- For local procurement use the term “FCA” (Free Carrier);
- For international procurement where the transportation is arranged by the Business Unit, use the term “FOB” (Free on Board) or “FCA”, depending on where the goods are to be delivered;
- For international procurement where the Supplier arranges for transport, use the term “CPT” (Carriage Paid To);
- For international procurement where the Supplier arranges both transportation and insurance, use the term “CIP” (Carriage and Insurance Paid To); and for international

procurement where UNDP elects for Supplier to bear all risks and costs associated with the transport of goods to the country of destination, use the term “DDU” (Delivered Duty Unpaid). Note that this method is expensive and should be used only during emergency operations or for the procurement of medical supplies.

All the terms referred to above should be followed by named place/destination point.

Procedures

Markings

To facilitate the identification of goods and handling whilst in transit, Suppliers should be instructed to provide “shipping marks” on all packages:

- Consignee;
- Destination;
- Port of unloading;
- Project identification;
- Order number; and
- Case number.

Receipt of Consignments

When a consignment is delivered to the consignee (i.e., forwarding agent, Business Unit), it is common practice for the carrier to request a receipt. At the same time, the consignee should perform a cursory inspection of packages against all shipping documents. If, in apparent good order, it is recommended that an endorsement be so given (e.g., “received in good external condition – contents unchecked”). If, however, signs of tampering are visible, the receipt should state necessary reservations (e.g., “cases broken”, “contents lacking”, “cartons opened with sign of pilferage”). Where possible, packages should be weighed to determine differences between declared and actual weights, documenting any discrepancies on the delivery notes.

Cargo Insurance

During transportation and storage, all cargo is vulnerable to a range of risks, such as damage, pilferage and theft, breakage, non-receipt of part or an entire consignment. Cargo insurance thus provides protection against potential financial losses resulting from such risks. Business Units should ensure the following:

- Protection for goods subject to risks, including war, strikes, riots and civil commotions.
- The duration of insurance coverage is sufficient for the period of transportation from “warehouse to warehouse,” including a minimum of 30 days, estimated for storage at the destination site.
- Goods are insured for the cost, insurance and freight (CIF) value plus an agreed percentage, generally 10 percent, to reflect the indirect cost to the Business Unit incidental to cover, or replace goods.

Standard UNDP cargo insurance policies are negotiated and maintained by OLPS.

In the event of damage or loss, procurement personnel should contact the insurance underwriter within one week of discovery for further advice.

Deliverables

N/A

Roles and Responsibilities

Forwarding Agents

Forwarding agents, known also as freight forwarders or freight brokers, act as international freight forwarders, clearing agents or custom brokers to carry out the formalities and operations of consignment.

Generally employed to receive consigned goods where UNDP staff may not be physically present, forwarding agents engage in the prompt clearance and collection of goods vulnerable to loss and pilferage. Business Units should forward to the respective forwarding agent all necessary documents (i.e., bill of lading, shipping instructions) for the release of goods in transit.

Additional Information

- International Chamber of Commerce
- UNDP Cargo Insurance

CONTRACT MANAGEMENT

Description

Once a contract has been awarded and signed, contract management is the process, which ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible. The contract management process allows a Business Unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts to maximize business benefits and minimize associated risks. Contract management includes monitoring performance (i.e., quality standards, delivery), effecting acceptance and payment, initiating amendments and orderly resolution of any disputes that may arise in the overall process. Further, contract management ensures that all residual obligations, such as warranties, guarantees and after sales services and support are clearly defined in terms of responsibility, liability, procedures and timeframes.

Relevant Policies

- UNDP Financial Regulations and Rules

A. PAYMENT AND TAXES

Description

Advance and Progress Payments

Except where normal commercial practice or the interests of UNDP so require, no contract or purchase order shall be made on behalf of UNDP requiring an advance payment(s) for goods or the performance of contractual services. If an advance payment is agreed to, all reasons therefore shall be documented. If the contract calls for an advance payment exceeding USD 30,000, the Supplier shall be asked to provide a bank guarantee (valid for the duration of the contract) or certified cheque. The advance payment, in all cases, should not exceed 20 percent of the total contract amount. Examples of activities that may justify an advance payment are (1) mobilization costs (civil works); (2) start-up costs (services); or (3) design costs.

Any interest earned by a payee on an advance payment by UNDP shall be recoverable and, when paid to UNDP, credited to miscellaneous income in the UNDP accounts.

In the case of progress payments, the RR or Head of the Business Unit may, where appropriate (i.e., in the interest of UNDP) authorize such payments. Progress payments, however, should be linked to the successful completion of requested deliverables.

To recover an advance payment, progress payments and the final payment shall be subject to a percentage deduction equal to the percentage that advance payment represents over the total price of the contract.

Taxes

UNDP, as a subsidiary organ of the United Nations, is exempt from direct taxes such as income tax, and is entitled to reimbursement of indirect taxes, such as sales tax and VAT, on important purchases. This is derived from the Convention on the Privileges and Immunities of the United Nations, adopted by the General Assembly in 1946 (General Convention), Sections 7 and 8, respectively.

While in some countries, governments have provided an outright exemption to indirect taxes, in most countries, Business Units may be required to pay taxes and further seek reimbursement. Governments are required under the General Convention to provide a mode of reimbursement on important purchases. The policy of the United Nations, including UNDP, is that all of our purchases are "important", as they are recurring and necessary for UNDP to carry out its official activities. Country offices should liaise with the Ministry of Foreign Affairs to ensure reimbursement.

Any difficulties with respect to exemption from taxation or reimbursement of taxes should be addressed to the Director of OLPS.

Relevant Policies

- UNDP Fin. Rule 125.11(a) (May 2005).
- UNDP Fin. Rule 121.11(b) (May 2005).

- UN Convention on the Privileges and Immunities of the United Nations

Procedures

Payment Terms

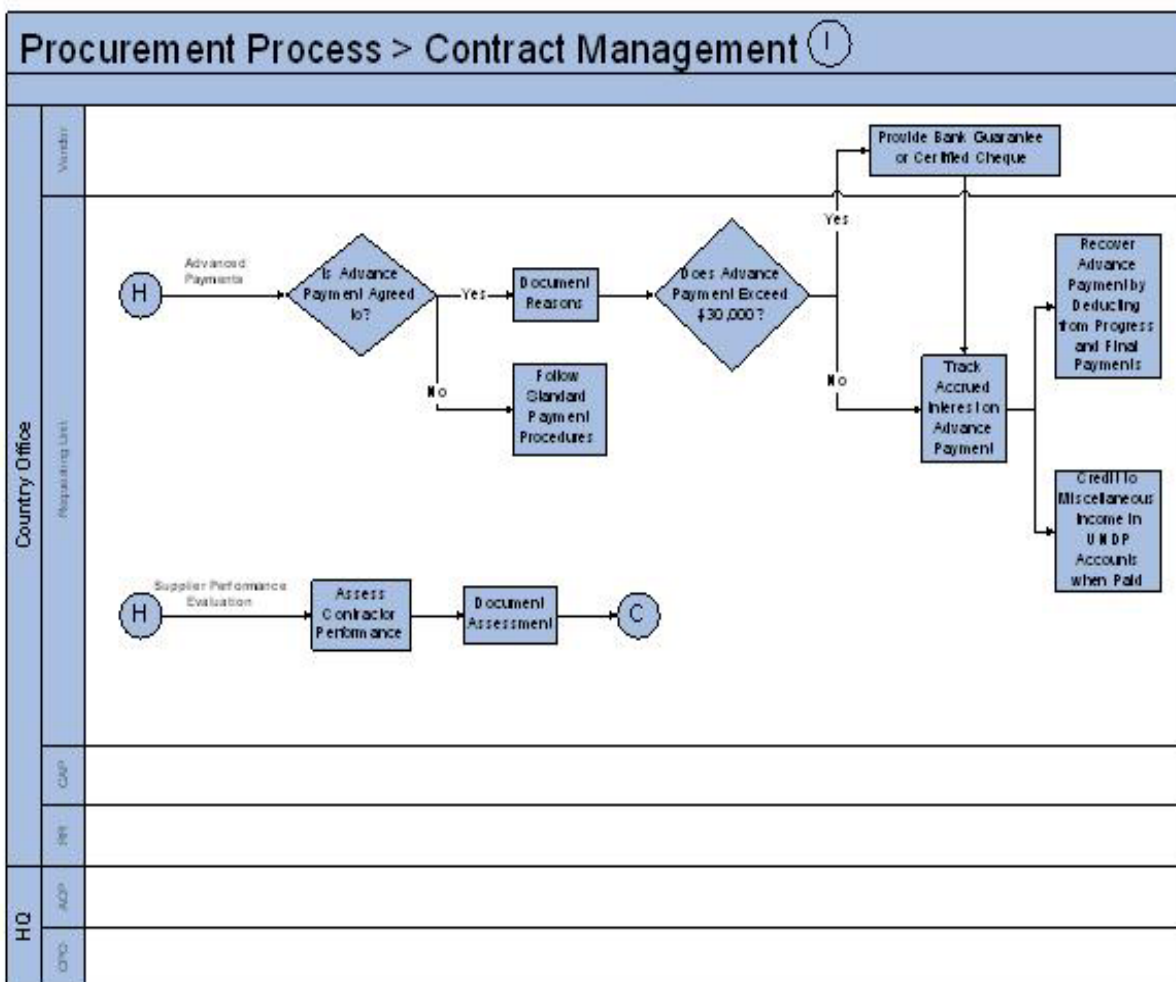
In the case of goods, payment should correspond to agreed upon delivery terms. In all cases, except where delivery terms DDU or DAF are utilized, payment should be made within 30 days upon receipt of shipping documents and invoices. Similarly, in cases where delivery terms DDU or DAF for supply are used, payment may be made within 30 days upon receipt of goods.

Deliverables

- Advance Payments
- Progress Payments
- Milestone Payments
- Taxes

Additional Information

- UN Convention on Privileges and Immunities



B. BREACH OR TERMINATION OF CONTRACT

Description

Breach of Contract

Suppliers are liable for any material breach of their contractual obligations. A material breach is defined as when the UNDP is deprived of significant value reasonably expected from the contract. If a Supplier materially breaches an obligation(s), the Business Unit should provide written notice to the Supplier, with a copy to the OLPS office, allowing Supplier a commercially reasonable period of time to cure the defect. In the event that the Supplier fails to cure the alleged breach, the Business Unit must inform OLPS and/or the CPO.

Termination of Contract

A contract can be terminated when (1) there is a material breach of the entire contract and the breach has not been cured or waived; or (2) the agreement allows cancellation for the breach. However, termination of a contract is not a recommended course of action. If the procuring entity still wishes to seek termination, procurement officers should contact OLPS for guidance and approval.

Relevant Policies

- UNDP Financial Regulations and Rules

Inputs

N/A

Deliverables

Supplier Performance Evaluation

To develop and maintain a list of qualified Suppliers, Units and COs should evaluate the Contractor's performance, in the event that the CO or Unit wishes to retain the Supplier in the future. COs and Units should assess the Contractor's performance identifying whether the Contractor "meets the expectation," "does not meet the expectation" or "exceeds the expectation under the following attributes:

- Quality of good and services;
- Delivery;
- After-sales service;
- Accuracy of documentation;
- Speed of response; and
- Cooperation.

ASSET MANAGEMENT

Description

Asset management is the process of maintaining records designed to preserve the value of physical assets controlled by UNDP. These Guidelines establish procedures and systems to ensure compliance with the UNDP Financial Rules and Regulations and to ensure accurate reporting of all physical assets.

The Asset Management Guidelines consists of three sections: Asset Acquisition, Asset Disposal and Asset Loss or Theft.

Relevant Policies

- UNDP Financial Rules and Regulations

A. ASSET ACQUISITION

Description

1. Definition of an Asset

For UNDP purposes, an asset is typically defined as an item with a minimum life expectancy of 3 or + years and with a value of USD 1,000 or more. Complete and accurate records, from acquisition to disposal, must be maintained for all assets in ATLAS Assets Module under the classification of "capital assets."

1.1 Custodial Items

Cameras, cell phones, PDA's, projectors and all other items issued to individuals, valued between US\$400 and US\$999 must be recorded as "non-capital assets" in ATLAS Assets Module. Offices should use ATLAS to allocate all items assigned to a staff member, or custodian of the item, and update the asset status when the item is returned, reassigned or disposed of.

1.2 Management Projects Assets (UNDP administrative budget)

All assets purchased from the UNDP administrative budget must be recorded in the ATLAS assets module. It is recommended, as best practice, that all capital assets items with a value of US\$1000 and above are purchased using a Purchase Order in order that the asset is capitalized when the buyer prepares the Purchase Order. This ensures that the asset is pushed over to the ATLAS assets module when the item is received. If a Purchase Order is not used for the procurement of a capital asset item which has a value between \$1000 and \$2500 then the item must be added as a capital asset manually in ATLAS using the Basic Add module.

1.3 Project Equipment

The non-expendable inventory records are to be maintained both at the executing agency's headquarters and at the project management country office. Primary responsibility rests with the country office. Country Offices may choose to enter DEX assets in the Assets Module; however NEX project assets should not be entered in the ATLAS Assets Module.

Procedures

2. Recording of a Newly-Acquired Asset

Each Country Office, Out-Posted HQ Unit and HQ unit is responsible for maintaining complete and accurate records of all asset acquisitions. Assets may be acquired through the following modalities:

- Purchase
- Transfer
- Donation

For each new asset, the following data should be collected and recorded in the ATLAS Assets Module:

- Chart of Accounts
- Asset ID Number (or the Bar Code number)
- Serial Number (except for Furniture)
- Description (including Brand)
- Purchase Price/Unit Value
- Purchase Date
- Physical Location of Asset

3. Inventory Recording of Assets

Each Country Office, Out-Posted HQ Unit and HQ unit's Asset Inventory should be updated on a monthly basis to account for relocation, lapse of useful lifespan or eventual disposal.

3.1 General Procedures

Assets transferred from one country office to another should be deleted from the Asset Inventory of the releasing country office and recorded in the Asset Inventory of the receiving field office, upon which a written receipt must be prepared by the recipient country office. In the case of an item's temporary relocation, the Asset Inventory of the releasing and receiving offices should indicate "on loan to (from)" against the item.

Assets that have been transferred to a different project should be updated to reflect the Chart of Accounts, the Description, and Physical Location.

UNDP does not capture any item in the assets report if it is more than 20 years old, even if it is still in use. The lifespans of common items are categorized below:

CATEGORY	LIFESPAN IN YEARS	OTHER FACTORS
Typical office items that run on electricity: (e.g., computers printers)	3 years	
Large machinery: (e.g., generators, air conditioners)	20 years	
Furniture	10 years	
Vehicles	5 years	OR 100,000 kilometres (62,000 miles), whichever comes first

Assets that are disposed of should also be removed from Asset Inventory. (Refer to Section 2.3 Disposal Procedures)

Country Offices, Out-Posted HQ Units and HQ Units should submit all information related to their Asset Inventory, as well as any asset movements undertaken during the previous calendar year, to the Office of Administration and Security (OAS) no later than 31 January of

each year. A covering letter certifying the accuracy of the assets figures should accompany the non-expendable assets reports, duly signed by the Resident Co-ordinator or the Resident Representative. The ATLAS in Service, Acquisition and Disposal reports for each Country Office will then be used to review the asset management practices of field offices and for the final production of the UNDP financial statements.

3.2 Expendable Items

Resident Representatives, Heads of Out-Posted HQ Units and the Director of OAS, are responsible for maintaining complete and accurate records of expendable items purchased by their offices. In accordance with this responsibility, they are required to designate a custodian, generally the Operations Manager (for Country Offices) or the Executive Officer (for Headquarters Divisions), who in turn may further delegate this function in writing. The designated custodian is required to:

- a. Maintain a record and log of movement and disbursement of expendable supplies;
- b. Maintain and check the stock of supplies at regular intervals to ensure that restocking is done in a cost effective manner; and
- c. Ensure that the supplies are stored under lock and key and supplies issued only against written requests.

3.3 Non-Expendable Items

HQ and Out-Posted HQ Units

The Head of each organizational unit retains the overall responsibility for all assets within its division and should appoint a focal person for the management of the non-expendable inventory. For practical reasons, Divisions that have units located in several floors or buildings should designate more than one focal person. The duties of the focal point include:

- a. Undertake a complete count of the equipment and furniture once a year;
- b. Ensure that all capital assets, i.e, furniture, electrical equipment, or heavy machinery, with a value of US\$1000 or more are moved from the Purchase Order module to the Assets Module during the year.
- c. Ensure that a serial number and a location are entered for each asset.
- d. Ensure that disposal RADT forms are submitted and the items to be disposed of correspond to the ATLAS inventory reports.
- e. Maintain a log of equipment on loan to staff members; and
- f. Provide clarification for any discrepancies detected during the count of custodial items, between previous and current years.
- g. Safeguard and control the movement of assets (Section 3.4 also refers)

Country Offices

A physical count of inventory items including furniture, equipment and vehicles should be conducted at least once annually as the data included in the Asset Inventory should correspond to the inventory items physically present at the country office.

When the inventory is physically taken again at the end of the year such a crosscheck should ensure that:

- a. All capital assets, i. e., furniture, electrical equipment, heavy machinery, and vehicles with an item value of \$1000 or above are moved from the Purchase Order module to the Assets Module during the year.
- b. Ensure that a serial number and a location are entered for each non-expendable asset.
- c. Submissions for disposals are prepared using the Request for Asset Disposal or Transfer (RADT) form and submitted to the Local CAP, as required, and approved by the Resident Representative.
- d. Ensure that the disposal action is done in ATLAS by the Senior Manager and confirmed by sign off on the RADT form that action has been taken.
- e. Items other than non-expendable assets should not be capitalized.

If there is any discrepancy and/or items are unaccounted for, then an investigation should be done by the country office to determine if there is an error in the serial number. In such case the data should be corrected in the Asset Inventory and a note made that it was erroneously entered with the wrong serial number. All supporting documents, such as invoices indicating serial numbers, should become part of the record.

At the end of the Asset Inventory exercise the Resident Representative should sign the report to certify that it is accurate. (see 3.1 for general procedures regarding the certification requirement) With respect to vehicles, all information (e.g., model, chassis and engine numbers, year acquired, unit value) must be entered into the Asset Inventory; as such data will be used to insure official vehicles under Third-Party Liability Vehicle Insurance. Official vehicles over five (5) years old or 100,000 kilometers (or 62,000 miles) must be considered for disposal. If such vehicles continue to be recorded in the Asset Inventory, they will not be included for insurance coverage under Third-Party Liability Insurance, unless the Resident Representative provides written justification to OAS. Records of official vehicles should thus be utilized as a tool for budget and replacement planning.

3.4 Safeguarding and control of Assets:

Country Offices and Headquarters Units are also required to ensure that adequate controls are in place so that the non-expendable assets are properly maintained and safeguarded. It is strongly recommended that Laptops are secured with an appropriate locking cable. When a laptop is not attached to a locking cable it should be securely placed in a locked drawer or filing cabinet when not in use, even for short periods of time. Equipment on loan to staff members should always be recorded in the equipment log/loan records. Offices must ensure that be recorded in the equipment log/loan records. Offices must ensure that equipment is returned promptly prior to the staff member's reassignment or separation from UNDP service. When a staff member is traveling on official business, and particularly by air, the laptop should remain with the staff member and should not be placed in unaccompanied baggage.

Roles and Responsibilities

Authority to Acquire Assets

The Assistant Administrator/Chief Procurement Officer (CPO) of the Bureau of Management (BOM) is responsible for all assets acquired, controlled and managed by UNDP. The CPO delegates his authority to acquire, control and manage assets to each Resident

Representative, Head of Out-Posted Headquarters' Unit and to the Director of the Office of Administration and Security (OAS), BOM.

Responsibility of the Office of Administration and Security (OAS)

OAS is responsible for:

- a. Consolidating the inventory reports of HQ Departmental units and preparing the respective reports for the UNDP financial statements;
- b. Conducting the Asset inventory exercises at HQ by 31 January of each year;
- c. Ensuring that Heads of HQ Divisions sign their Asset inventory reports to confirm their accuracy;
- d. Providing training as required on an ongoing basis to any HQ Unit; and
- e. Disposal of HQ assets.

It should be noted that OAS uses the inventory data to arrange for insurance of Headquarters' equipment and furniture. This policy is not currently applicable to country offices as each office's equipment and furniture are self-insured and UNDP replaces the items, as the need arises.

Templates and Forms

- UNDP Asset Management Report

B. ASSET DISPOSAL

Description

1. Methods of Disposal

1.1 Cash Sale

All sales of UNDP assets should be on a cash, check or money order basis, on or before delivery. Written exceptions to this rule may be authorized for items above USD 30,000 by the CPO when in his/her view it is in the interest of UNDP.

1.2 Competitive Bidding

If the purchase value of an asset is USD 2,500 or above, the item should be disposed of by competitive bidding. International staff members are always excluded from bidding.

1.3 Exemption to Bidding

If the purchase value of an item is less than USD 2,500, the Resident Representative, Head of Out-Posted HQ Unit and the Director of OAS may authorize disposal action without competitive bidding. However, every effort should be made to allow for competitive bidding whenever possible, regardless of the value, and any exemption must be well documented.

For an item valued above USD 2,500 but less than USD 30,000, the CAP may authorize a disposal without competitive bidding.

For an item over USD 30,000 the CPO, in consultation with the ACP, may grant an exemption when any of the following conditions are satisfied:

- a. Trade-in or exchange of surplus property in partial or full payment for replacement equipment or supplies;
- b. Destruction of the surplus or unserviceable material is in UNDP's interest or required by law; and
- c. Disposal by gift or at nominal prices to a government, government agency or to some other non-profit organization.

Procedures

2. Disposal Procedures

2.1 Headquarters

The Director of OAS has been delegated the authority to dispose of equipment with an inventory value up to USD 2,500 per item. Requests for disposal from organizational units of individual items, which have been deemed obsolete, damaged and irreparable, or surplus to the organizational unit's requirements, will be submitted by means of the Request for Assets Disposal, Theft or Transfer (RADT) Form to the Director of OAS for approval. (See Request for Assets Disposal, Theft or Transfer (RADT) Form).

Requests for disposal and/or write-off from organisational units of individual items with an inventory value of over USD 2,500 per item, which have been deemed stolen/lost, obsolete, damaged and irreparable, or surplus to the organisational unit's requirements, will be submitted by means of the RADT form, through the Director of OAS and the ACP for their review and recommendation to the CPO.

It should be noted that UNDP is a publicly funded organization and does not depreciate assets. An asset is reported as an expenditure in UNDP's books the year in which it is purchased. For example, when a five year old vehicle is disposed of in the ATLAS Assets Module, the original purchase price should remain unchanged, even though the market value at the time of disposal may be substantially lower. The depreciation module in the ATLAS Assets Module should not be used by any UNDP office.

2.2 Under USD 2,500

Resident Representatives, Heads of Out-Posted HQ Units and the Director of OAS may dispose of assets, by any reasonable procedure, without review by the CAP or the ACP.

2.3 Above USD 2,500

In Country Offices and Out-Posted HQ Units the CAP should review and render written advice for all cases involving disposal of items with a purchase value more than USD 2,500.

ACP review is required only when a waiver of competitive bidding is being sought and the value of the item is USD 30,000 or more.

If disposal is approved, the procedure that will usually be recommended is:

- a. Advertisements should be placed on the Office's public website and in at least two local newspapers at locations where several newspapers are issued, offering the items for sale and requesting sealed bids to be submitted by a prescribed date.
- b. The advertisement should carry a description of the item and should further state that the equipment is to be bid and sold on an "as is – where is" basis and that the UNDP office reserves the right to reject any and all bids.
- c. The advertisement should contain a reminder that the successful bidder must satisfy the government as to any import or sales tax due on the item and that payment for the item must be made in cash before delivery.
- d. The sealed bids will be recorded as to date and time of receipt.
- e. No bids will be accepted after the closing time specified.
- f. The bids will be opened in the presence of at least two staff members designated by the resident representative, including one international, and the bidders, if they so wish.
- g. The presence of bidders is not a pre-requisite for the validity of the award. The names of bidders and bid amounts will be listed, and the award made to the highest bidder.
- h. If two or more bids are of equal value and if the winning bid cannot be drawn by lot for a lack of written agreement thereto by the bidders, the bids will be rejected and the sale re-advertised.
- i. If no bids are received or the bids are too low in relation to the market value of the item, then the country office need not re-advertise, and the resident representative may negotiate the sale with interested buyers and accept the highest offer without referring the matter to the CAP for review.
- j. Locally recruited staff members of the United Nations system of organizations may be permitted to participate in the competitive bidding exercise and to buy for their personal use the item being disposed of, on equal terms with other bidders.
- k. International staff members are always excluded from bidding.
- l. If a successful bidder does not honour his/her bid within one week following the opening, and it has been determined that he/she wishes to withdraw his/her bid, the second highest bid is to be accepted;
- m. In countries where existing government regulations require the sale to the government of items imported into the country free of duty, the above procedure is not applicable. However, the country office should strictly observe the current government regulations on this subject;
- n. In countries where sale of imported goods is forbidden by law, consideration should only be given to offers received from individuals or entities entitled to duty free purchases.

3. Special Procedures

3.1 Computers

Computers and computing equipment are usually disposed of every three (3) years. The preferred method of disposal for all computing equipment is by sale to staff members at a competitive price that is comparable to the market rate. Offices can also acquire the PCs for donation to or use in programmes/projects by paying the same sale amount. Any unsold PCs will be available for donation to NGO's or other non-profit accredited organizations. However, any computing equipment acquired for a country project should be transferred to the government at the close of the project.

3.1.1 Disposal of Personal Computers

Staff members are allowed to purchase obsolete personal computers (PCs) and PCs, which are surplus to a Division's requirements in accordance with the following guidelines.

a. Disposal and/or Sale of PCs at Headquarters

- The Manager of a Headquarters Unit is responsible for the actual sales and disposal of equipment. OIST has the authority to certify PC and other computing equipment obsolescence. OAS is responsible for approval of the disposal form for each item valued at USD 2,500 or less.
- The Information Management Associate (IMA) is responsible for preparation of the assets disposal forms and for the sale of the PCs.

b. Disposal and/or Sale of PCs in Country Offices

- The IMA should prepare the inventory list of all PCs to be sold with the serial numbers. This list must be based on the ATLAS inventory report for the respective Headquarters Unit.
- Working units should only be disposed of if other units have no need for the items.
- The IMA should obtain OIST's technical clearance/approval that the equipment meets the obsolescence policy. Some 17-inch monitors are not obsolete on receipt of OIST's approval;

The sale can commence as follows:

- The IMA will remove data from hard disks and will install Windows 98 on all computers to be sold.
- The number of interested buyers should be tallied. Staff members and ALDs are entitled to purchase the PCs. A manager can decide whether or not long term SSAs are eligible to purchase used PCs.
- A lottery is recommended if the number of buyers exceeds the number of machines available for sale.
- The purchaser must provide a check in the amount as indicated in the sale schedule payable to UNDP. All checks should be photocopied and secured by the manager.
- Completed sales forms and corresponding checks payable to UNDP should be submitted to the Director OAS, for preparation of building passes to remove computers from UNDP premises.
- The Director of OAS will submit all checks to Treasury for deposit

c. Disposal of Unsold PCs

- The IMA should email "Maintenance" who will collect unsold PCs.
- The IMA will provide the OAS Maintenance Unit with a copy of the signed OAS RADT form and a copy of the Unit's inventory, to identify the items to be removed.
- OAS Maintenance Unit will check that the items to be disposed of are in the ATLAS inventory database.
- OAS Maintenance will arrange for disposal of the PCs.

d. Disposal of Irreparable PCs

- The IMA should prepare the RADT form and submit the ATLAS inventory list of all PCs to be disposed of to OAS, highlighting the serial numbers of the PCs.
- Submit RADT Disposal form to OIST for technical clearance and OAS for approval to dispose.
- OAS will provide the IMA with the approved Assets Disposal form.
- The IMA should email "Maintenance" to arrange for the physical disposal of the PC. The approved RADT form must be provided to the OAS Maintenance Unit who will check the serial numbers of the items against the items on the approved Disposal form.

3.2 Furniture

A HQTRS Division should email the OAS Maintenance Unit to request removal of the obsolete furniture items to storage. No other form is required to be completed since furniture is not yet tagged individually.

NOTE: Good wooden furniture should be provided to staff on the floor. Older items such as the metal furniture should be removed for storage.

3.2.1 Damaged, Lost, or Missing Furniture and Equipment

- Each Division is required to conduct its own investigation and to complete the RADT form. The staff member to whom the equipment was assigned and signed by the Head of the Division should also provide a written report of the investigation for missing equipment or furniture. The report and the RADT Form should be forwarded to OAS.
- OAS will request the UN Department of Safety and Security (DSS) to investigate cases of missing equipment.
- The UN DSS will then conduct interviews with the Department concerned and will provide a report of its findings to OAS.
- If the CPO decides on a penalty, OAS will inform the Headquarters Division and will arrange to recover the amount from the staff member's salary.

3.3 Vehicles

Resident Representatives, Heads of Out-Posted HQ Units and the Director of OAS are authorized to dispose of vehicles which have clocked 100,000 kilometers, or are five (5) years old from the date of purchase, whichever comes first. In cases where a vehicle is not serviceable due to lack of parts, or incurs very expensive repairs, a decision may be made to replace the vehicle before it becomes obsolete. Documented justification is needed for this decision.

3.4 Real Estate

Disposal of UNDP properties can only be undertaken with the approval of the CPO. The disposal process is managed by OAS, who will normally liaise with an approved real estate agent to ensure that an appropriate method of disposal is chosen which maximizes UNDP's financial returns in the disposal of the property.

OAS will submit cases where gross negligence is determined to be the cause of the theft or loss to the ACP for review and advice to the CPO.

Roles and Responsibilities

Authority to Dispose of Assets

Resident Representatives, Heads of Out-Posted Units and the Director of OAS have been delegated the authority to directly dispose of all items which are surplus to requirements or unserviceable through obsolescence or normal wear and tear. For the disposal of an item with a purchase value of more than USD 2,500, the Resident Representative or Head of Out-Posted HQ Unit must consult their respective Contracts, Assets and Procurement Committee (CAP); whereas the Director of OAS must consult the Advisory Committee on Procurement (ACP).

Templates and Forms

- Request for Assets Disposal, Theft or Transfer (RADT) Form

C. ASSET LOSS OR THEFT

Description

The CPO has delegated to Resident Representatives, Heads of Out-Posted HQ Units and the Director of OAS the authority to write-off and assign personal liability for assets and custodial items valued up to USD 2,500, which have been deemed stolen/lost, obsolete and irreparable. Requests to write-off items with a value of over USD 2,500 should be submitted by means of the RADT Form to the ACP for their review and recommendation to the CPO. (See the RADT Form)

Procedures

Write-Off Procedures

1. The Resident Representative, Head of Out-Posted HQ Unit, the Director of OAS or the ACP must determine both the value of the UNDP asset loss and the degree of financial recovery. The degree of financial recovery should be assigned between 30 and 100 percent, based on the staff member's relative fault and degree of ordinary negligence, or gross negligence, intent as well as mitigating or aggravating circumstances.
2. Negligence is defined as the omission to do something, which a reasonable person, guided by ordinary considerations, would do, or the doing of something, which a reasonable or prudent person would not do. A major factor in determining if a given omission or act is unreasonable is whether the expected cost of the conduct was greater than any expected benefit.
3. Gross Negligence is defined as the failure to perform a manifest duty in reckless disregard of the consequences as affecting the life or property of another: such a gross want of care and regard for the rights of other as to justify the presumption of wilfulness or wantonness. In cases of gross negligence, the party is aware of the unreasonable risk and consciously disregards it.
4. An intentional act is defined as a knowing and deliberate infliction of harm or loss to UNDP property.
5. Any loss and/or theft of a UNDP asset involving the Resident Representative, Head of Out-Posted HQ Unit or the Director of OAS must always be submitted to ACP, regardless of the value of the lost asset.

Personal Liability

1. The total dollar value of personal liability will be determined by multiplying the assessed percentage of financial recovery (30%-100%) by the total dollar value of the cost of repair, or in the case of loss, by the residual value of the lost item.
2. For locally recruited staff, personal liability will not exceed:
 - One month's salary in the case of ordinary negligence;

- Three months' salary in the case of gross negligence and payments can be made in monthly installments
3. There is no limit on personal liability for international staff.
 4. For all cases of intentional loss or theft there will be no limit on personal liability and separate disciplinary action will be pursued.

Roles and Responsibilities

Authority to write-off assets

The CPO has delegated to Resident Representatives, Heads of Out-Posted HQ Units and the Director of OAS the authority to write-off and assign personal liability for assets and custodial items valued up to USD 2,500, which are deemed stolen/lost, obsolete or irreparable.

Templates and Forms

- RADT Form