**Contract Management**

1. Contract management is the effective and efficient monitoring of contract activities to ensure that goods, services and/or works contracted by UNDP are delivered in a timely manner, at the agreed cost and to the specified requirements, which shall be clearly established in the Terms of Reference or Specifications at the pre-award stage of the procurement process.
2. Contract Management encompasses all post-award tasks including, performance monitoring, relationship management, risk management, contract administration and dispute resolution. The nature and extent of contract management shall vary between contracts depending on the nature, value and complexity of each contract.

**Contract Management Principles**

1. All contracts including purchase orders (POs) shall be monitored by the requesting unit[[1]](#footnote-2) with the support of the procurement unit. The procurement unit shall implement all the administrative requirements including the management of required documentation, change management and contract closure; and work together with the requester/end user to manage the relationship with the supplier and ensure effective communication.
2. Upon contract award, the requesting unit and the procurement unit shall analyse the terms and conditions of the signed contract, meet with the supplier and develop a contract management strategy that will govern the management of the contract. The strategy[[2]](#footnote-3), depending on the complexity of the contract, shall identify post-award activities such as intermediate performance goals for the monitoring of contract implementation, possible risks and mitigation measures, review roles and responsibilities, establish monitoring and communication arrangements, including the nature and frequency of the meetings that will be held with the supplier during the implementation of the contract. This strategy will enable the requesting unit to measure progress, detect significant performance variances, take corrective actions, and follow up.
3. All contracts shall be managed effectively to avoid consequences such as, the misunderstanding of technical requirements, inadequate monitoring of supplier performance, late certification of milestones/deliverables, delayed or late payments, unclear roles and responsibilities, all of which may result in poor performance, failed contracts and costly contract amendments/extensions.

**Thresholds for Contract Management Activities**

1. The scope of the contracts management activities shall depend on the value and complexity of each contract. In the case of low-valued goods or equipment purchase orders, a meeting clarifying the expected contract management actions, communicated verbally in person or by telephone or email, shall be sufficient to ensure agreement by both parties on the monitoring activities.
2. Where contracts are of high value, complex, or have long duration, a contract management team comprising of subject matter experts, procurement unit, requesting unit, the end user and the supplier shall be established to agree on contract management activities, regularly convene on agreed frequency, for the tracking of implementation activities and resolving of issues encountered during the implementation period. Complex or high value contracts are those above $2 million USD.

**Performance Monitoring:**

1. Performance measures already identified at the pre-award stage to suit the requirements of a contract shall be set out in the contract. They shall provide clear and demonstrable evidence of the success (or otherwise) of the contractual obligations of the supplier:
2. The requesting unit shall monitor the performance of the supplier to ensure that the contracted goods and services are being delivered in accordance with the agreed performance, quality levels and price set out in the contract. The following themes may be utilised to measure supplier performance, as applicable:
3. Financial – all costs are to be maintained at the contracted amount or reduced.
4. Delivery capability – the supplier shall indeed be able to deliver on the contract.
5. Benefits realized – the needs and objectives of the contract are to be achieved
6. Service quality using Service Level Agreements (SLA) where applicable, such as call-out time, customer service response time, performance against agreed delivery lead times shall be in line with the contract.
7. Product quality - percentage of delivery rejects, warranty claims shall be in congruence with the contract.
8. Accessibility and responsiveness of supplier’s management to the business unit’s requests, observations, feedback relating to the contract shall be verified and monitored.

**Managing Poor Performance**

1. When the performance does not meet the agreed performance standard(s), the requesting unit shall verify if the situation had occurred due to failure on the part of UNDP or its Implementing Partners such as delayed payments, unclear aspects of the specifications, inadequate logistical support and other possible causes. If the poor performance is not attributable to the supplier, the requesting unit shall take the necessary corrective measures, including intervening with other third party entities that may be causing the contract implementation challenges.
2. When poor performance is due to the actions, omissions or errors that are attributable to the supplier, the requesting shall document the observation; notify the supplier and request for corrective actions to be undertaken in a timely manner. In the event of a recurring poor performance, the requesting unit shall notify the procurement unit and provide documented proof of such poor performances, including the corrective actions undertaken or otherwise by the supplier.
3. The Head of Procurement Unit or Operations shall discuss with the requester, then the supplier; assess the situation and recommend the corrective actions to be taken or escalate the situation for consultation with the Procurement Service Unit (PSU) and the Legal Office (LO) if the Business Unit (BU) is unable to resolve the challenge. Whenever termination is being considered, the BU shall consult with LO before taking such an action. LO will review the situation and advise on the possible action that may be taken, including further corrective actions with respect to that contract. If suspension or exclusion of that supplier from future UNDP solicitations is recommended, this shall be reviewed and determined by the Procurement Services Unit.

**Relationship and Communication Management:**

1. An open and constructive relationship shall be maintained with the supplier to enable the supplier to share problems being encountered in contract implementation, offer innovative and cost saving solutions and to be more amenable to negotiations where required. The requesting unit and the procurement unit shall be very conversant with the requirements of the contract, ensure that roles and responsibilities are clearly understood by both parties and secure the support and guidance of senior managers in managing the relationship with the supplier, where applicable.
2. All communications shall be in writing and whenever verbal communication are made, they shall be subsequently documented and filed in the contract documentation file.
3. Regular contract review meetings or discussions shall be held with the supplier to review and discuss developments or risks identified during the implementation of the contract. The frequency of the meetings or discussions shall be determined by the scope, value and complexity of the contract.
4. Existing policy on conflicts of interest shall be upheld in all relationships with the supplier and the end user.

**Contract Administration:**

1. Upon the award of the contract, the administrative elements of contract management which include the processing of contract amendments, obtaining the requisite approvals, maintenance of an audit file for the contract including all correspondences, facilitation of contract meetings where required, support with the tracking of payments[[3]](#footnote-4), deadlines and contract closure activities, shall be conducted by the procurement unit in collaboration with/and at the request of the requesting unit.

**Change Management/Contract Amendment**

1. Contracts shall be amended when there are justifiable requirements such as the extension of the duration, modification of the scope of the goods or services to be delivered or other relevant aspects of the contract and they shall be duly approved by the relevant authorities in the BU and the Procurement Review Committees (PA/CAP/RACP/ACP) where applicable.
2. Contracts shall not be increased or extended as a means for unduly avoiding competitive solicitation for the requirement. They shall only be amended to reflect a development in the contractual arrangement or other material change in circumstances.
3. Amendments shall be made well in advance of the proposed effective date of the amendment, and always prior to the expiry date of the contract as expired contracts are not valid.
4. Amendment of the price or cost after contract award shall not be allowed except when there is an increase/decrease in the scope of the contract by UNDP in which case the unit prices in the contract shall be maintained. In concluding an amendment that extends the duration or increases the value of a contract, the following steps shall be undertaken:
5. A satisfactory [Supplier Performance Evaluation report](https://popp.undp.org/node/2026) shall be on file, and any guarantee document (e.g., Performance Security) issued at the time of the original Contract shall be re-issued or modified, as appropriate for the new amounts and term; and
6. Justification for the amendment shall be documented in a note-to-the-file, including a value for money analysis and when appropriate, a comparative cost estimate (benchmarking) shall be undertaken to determine if the prices under the contract are still competitive and are less than the cost would be if the business unit were to engage in formal competitive bidding;
7. Amendments shall be documented with the standard [contract amendment template](https://popp.undp.org/node/1061). When purchasing goods under a purchase order (PO), an amended PO or change order shall be issued to the supplier.

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1. Contract amendments shall be numbered sequentially; dates, nature and scope of each amendment shall be clearly stated as required in the template and shall include a statement that all other terms and conditions of the contract shall remain unchanged as contained in the contract amendment template. The procedures for signing an amendment are the same as those for the original Contract.

**Performance Evaluation**:

1. Performance evaluation shall be conducted at the completion of the delivery of required services and goods or works, and before [any] amendment may be made. This is to assess the fulfilment of the contracted requirements by the supplier from the beginning of the contract implementation to the end of the contract terms or at the time of the request for an amendment. The requesting unit is primarily responsible for conducting the performance evaluation but shall obtain inputs from the procurement unit and the end user, if applicable.

**Conducting Performance Evaluation**

1. Performance Evaluation shall follow the requirements of the contract and shall include but not limited to the following aspects of the contract which are indicated in the [performance evaluation template](https://popp.undp.org/node/2026):
2. Achievement of delivery schedule/timely delivery
3. Compliance with contractual terms and conditions
4. Adherence to warranty provisions
5. Compliance with social and environmental requirements
6. Quality of goods or services provided in accordance with the contract
7. Timely response to requests from UNDP
8. Undue delay of the performance under the contract
9. Existence of any claims against UNDP by the supplier
10. Failure to disclose information relevant to performance such as bankruptcy or ongoing litigation.
11. Business units may verify the above aspects of the contract by issuing a questionnaire to the end users or by, conducting site visits.
12. Performance evaluation documents shall be duly filed and preserved and shall be consulted when considering any subsequent engagement of the same supplier in UNDP.

**Claims, Contract Disputes and** **Dispute Resolution**

1. UNDP is committed to a fair, orderly and prompt resolution of disputes with Suppliers and the requester[[4]](#footnote-5) and the procurement unit shall be aware of the contractual provisions that deal with the resolution of disputes and claims.
2. In the event of a contractual dispute, UNDP contracts provide that the Parties will first attempt to resolve the dispute through negotiations with a view to arriving at an amicable settlement. Contractual disputes shall be addressed as follows in compliance with the General Terms and Conditions (GTCs):
3. Stage 1: The requesting unit shall attempt to resolve any dispute with the Supplier to fulfil the contractual requirements and communicate with the Supplier directly to discuss and implement an amicable solution.
4. Stage 2: If the requesting unit is unable to resolve the dispute, they will notify the Head of Procurement and/or Operations, who will intervene with the supplier, and pursue remedies such as requesting the supplier or UNDP to correct or fix the issues of contention. Consultation with the Procurement Services Unit (PSU) is recommended at this stage to avoid further complications.
5. Stage 3: If the Head of Procurement and/or Operations are unable to resolve the dispute amicably, the business unit shall immediately consult with the Procurement Services Unit and the Legal Office and shall provide the following:
6. all relevant background information;
7. a chronology of events leading up to the dispute,
8. a description of efforts taken to resolve the dispute, including its status;
9. the disputed amount or amounts claimed by UNDP or the Supplier/Contractor/vendor;
10. a copy of the relevant contract under which the dispute arose;
11. copies of any other relevant documentation including contract amendments, terms of reference, email or letters of correspondence, etc.

* The Head of Procurement shall provide an assessment of the situation, including an analysis of the possible consequences (financial, operational, political, and reputational) of the dispute to UNDP and keep a written record of any disputes with suppliers, as well as a description of the steps taken by the business unit to resolve the matter.
* Guidance on the dispute settlement process and actions to be taken, including concluding a settlement and release agreement, is available here [hyperlink the settlement policy].

1. Stage 4: Arbitration is the last recourse for dispute resolution and must only be pursue in consultation with the Legal Office. If the Parties are unable to resolve the dispute amicably through negotiations, either Party has the right to submit the dispute to arbitration. It should be noted, however, that UNDP would not normally initiate an arbitration and to do so would require extensive consultation and approvals. Thus, business units shall resolve all matters where UNDP is in the position of making a demand, as proactively and practically as possible.

**Breach or Termination of Contract**Page ContentStructure Element - Description​

**Breach of Contract**

1. 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 Procurement Support Unit (PSU), 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 PSU and/or the CPO.

**Termination of Contract**

1. 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 Legal Office (LO) for guidance and approval. Structure Element - Relevant PoliciesSee details on **Claims, Contract Disputes and** **Dispute resolution** in this Chapter.

Structure Element - Deliverables

**Contract Completion/Closure**

1. The procurement unit shall at the request of the requesting unit close out[[5]](#footnote-6) the contract upon the delivery of all required goods/works/services. All payments due to the supplier shall be made in a timely manner and the Purchase Order shall be closed immediately. The Performance Security shall be returned in accordance with the terms of the contract and the security instrument. The supplier shall return any equipment or unused material supplied by UNDP promptly to UNDP. The contract shall not be closed out if there are any outstanding disputes between the parties.

**Effective Documentation**

1. The procurement, finance and requesting units shall ensure that all documents relating to their roles in contract management are complete, up-to-date, signed where required and filed appropriately.
2. The requisite documents include original copies of contracts, all contract amendments, all related communication with the supplier (electronic, internal and external correspondence), award documents including the winning offer for references during contract implementation, minutes of meetings, notes of phone conversations, reports, pictures, video films, proof of receipt of goods such as shipping documents, proof of payment, supplier assessment report and acceptance report from requesting unit/end –user.

**Standard Roles and Responsibilities for Contract Management:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Activity | Primary Responsibility | Related Procurement Unit’s Activities | Related Requesting Unit’s Activities | Finance | Supplier |
| Contract Signature | Procurement unit | Prepare the contract  Share the draft contract for review by the winning bidder.  Organize signature of contract by designated authorities in UNDP and by the supplier.  Raise Purchase Order in Quantum  Filing | Review Contract to ensure it is in line with the agreed requirements |  | Review the draft, provide feedback and sign the agreed contract |
| Contract Monitoring | Requesting unit | Organise take off meeting(s) where required with supplier and requesting unit.  File relevant correspondences, minutes of meetings. | Supervise and monitor the performance of the supplier.  Manage timelines agreed for each deliverable. Verify the quality of work, reports, deliverables  File the reports, record site inspections and all follow up interactions with the supplier |  | Achieve the agreed deliverables within the agreed timelines in the contract |
| Logistics such as custom clearance | Procurement | Prepare custom clearance documents and process the clearance with the Government.  Share copies of shipping documents with the requesting unit for verification. | Verify shipping documents for compliance |  | Submit shipping documents and relevant custom clearance documents |
| Change Management (variations, claims, amendments) | Requesting unit | Prepare and verify  supporting documentation.  Submit request for review and approval to PA/CAP/RACP/ACP, where applicable  If approved, raise contract amendment and obtain signatures | Issue request, provide justifications for an amendment |  | Review and agree with the terms of the changes required.  Submit the costing, personnel, timelines for the changes required where applicable.  Sign contract amendment. |
| Payments | Requesting unit Procurement  Finance | Issue supporting documentations, such as contract, PO | Verify the achievement of deliverables  Create Quantum Receipt  Certify invoice  Issue Certification for payment  Request payment. If final payment, performance evaluation shall be submitted prior to final payment. | Verify request for payment and process payment  File documents relating to payments | Submit invoices and supporting documentation such as reports, delivery note. |
| Taking over certificate (where applicable) | Requesting unit | Coordinate with the Requesting unit and the supplier | Sign Taking over certificate |  |  |
| Defect Liability Period (DLP) (where applicable) | Requesting unit | Filing of relevant DLP documents. | Manage DLP and possible claims  Submit DLP documents to procurement  File |  | Rectify defects |
| Final Completion Certificate/Certification for Final payment | Requesting unit | Coordinate with the Requesting unit and the supplier | Sign relevant completion certificate or certification for final payment and file |  |  |
| Handover Certificate (where applicable) | Requester | Coordinate with the Requester and the supplier | Prepare Certificate to be signed by UNDP, client or end user  File |  | Sign handover certificate |
| Performance evaluation | Requester | Procurement to maintain a record of all performance evaluations.[[6]](#footnote-7)  File a copy of any performance evaluation form/report in the procurement case file. | Evaluate performance of the supplier  Notify Procurement Unit on the quality of performance of the supplier  Submit a copy of the Performance evaluation to the Procurement Unit |  |  |
| Closure of the contract | Procurement | Close PO.  Return Performance Security in line with the terms of the Contract | Advise the Procurement Unit of the completion of the contract |  | Return any equipment or unused material to UNDP  Submit the terminal invoices, if any,  Collect the performance bond/guarantee, if applicable;  Submit the handover notes, if applicable |
| Disposal or reuse of items/equipment | Requester  Procurement | Prepare Document  Provide disposal guidelines and obtain approvals where applicable.  Conduct disposal process where required  Filing | Initiate disposal process. |  |  |

1. The personnel designated by the requesting unit or project. It could be the Project Manager, Engineer, Technical Advisor, or UNDP’s Implementing Partner in a NIM Modality or the Contract Management Team for the contracts above $2 million USD. Any personnel who has been assigned to manage the contract shall be conversant with the requirements of the contract. [↑](#footnote-ref-2)
2. Contract Management Strategy is to define the what, how, who and when elements of the regular management of the

   contract from the award of the contract to the completion of the contract and it incorporates the requirements already

   identified in the pre-award stages of the procurement process in the TOR, Specifications, Terms and Conditions of the

   contract. [↑](#footnote-ref-3)
3. Payments are processed by the requester while the procurement unit provides the relevant contract documents and provides support where there are disputes or disagreements on the payments due to the supplier. [↑](#footnote-ref-4)
4. Or the Contract Management Team in the case of complex and high value contracts above $2 million USD. [↑](#footnote-ref-5)
5. This is the closure of the contract with the supplier and completion of the Purchase Order in Quantum. It is different from the project closure which is handled by the Project Team in line with the programmatic guidelines. [↑](#footnote-ref-6)
6. The performance evaluation is to be reviewed as part of the evaluation process for the subsequent engagement of the bidder and the measures to be taken to address any possible short comings are to be identified. [↑](#footnote-ref-7)