**Long Term Agreements (LTAs) and Cooperation with UN Entities**

Objective

1. A “long term agreement” is a written agreement between UNDP and a supplier that is established for specific goods or services at prescribed prices or pricing provisions for a defined period of time, year, against which specific Orders (call-offs) can be placed at any time, during the defined period and with no legal obligation to order any minimum or maximum quantity. The term “long-term” refers to the nature of the contract which typically has a minimum duration of one (1) year, during which UNDP may place repetitive orders for varying ranges and quantities.

Benefits and Risks of LTAs

1. LTAs can be used in varied circumstances. They have many strategic benefits, which may include:
2. When LTAs are not set up, used, or managed properly, however, they may not necessarily offer value for money. They can reduce supply sources and expose UNDP to other risks as follows:
3. Dependency on vendors. Extensions beyond the initially established duration of the LTA can lead to unhealthy relationships or monopolistic behaviour, perception of preferences, or collusion among suppliers resulting in uncompetitive prices, thus diminishing quality and creating barriers to entry for other vendors.
4. Hedging. If the requirement is for fixed prices over the entire life of the LTA, vendors tend to peg them at higher rates to compensate for possible price increases. This is a disadvantage if prices go down.
5. Opportunity losses. Because of their long-term nature, LTAs could cease being the source of “best value for money,” such as when new players enter the market, technology improves and/or prices fall. When LTAs are used for larger volumes than originally estimated, the potential for volume discounts may be undercut.
6. Since LTAs have long durations, both upfront and long-term resources and expertise are required to create and manage them effectively. Decisions to set up LTAs should be anchored in a thorough business case.
7. LTAs should generally be established through a competitive selection process appropriate for the cumulative contract amount during its expected duration. Any LTA to be established through direct contracting should be adequately justified based on applicable criteria for exceptions to the use of formal methods of solicitation as provided for in Financial Regulation and Rules (FRR) 121.05 (a).  The use of another UN agency’s LTA under the provisions of FRR 121.05 (a) (iv) is covered in Section X below.
8. Prior to initiating any procurement process that leads to an LTA, key information and data should be established. Please refer to the [Guidance Note on LTA Policy](https://popp.undp.org/node/5191).

Types and Configuration of LTAs

1. LTAs should be classified based on geographical coverage and scope:

a.       A **country-specific LTA** is used for goods or services required in a given country only. It can be used with local or global vendors and is set up and managed by the country office. If goods and services are sourced from within the country, the LTA should not be used in another country, as market conditions may vary. Usage in this case may not reflect value for money. In the event that a country office needs to utilise a country-specific LTA that is set up for another country office, the requesting country office shall ensure that the LTA is suitable for the requirements, value for money shall be demonstrated and the process shall be subject to the relevant procurement committee review thresholds. Direct review by ACP/RACP shall be requested, if applicable.

b.      A **regional LTA** is used within a specific region of operation (e.g. Arab States, Asia-Pacific, Eastern Europe and CIS, Latin America and Caribbean, and Africa) or sub-regional groups. They may be set up and managed either by the UNDP Regional Centre or a Country Office within the region or sub-region.

c.       A **global LTA** can be used by all business units. They are normally created and managed centrally by a HQ Unit (PSU, BPPS, CPR, OIST, etc.).

d.      A **specialized LTA** is used only by headquarters units to procure goods and/or services for their own needs or to serve other business units. They are typically used for specialized, complex and high-risk types of goods or services (e.g., health and medical equipment, election materials, crisis response items, armored vehicles, etc.), where a certain degree of expertise may be needed to manage the supply chain. Among other issues, they may entail specialized quality controls that need to be strictly imposed, and logistical challenges requiring detailed analysis.

Configuration of LTAs (Please Also Refer to the [Guidance Note on LTA Policy](https://intranet.undp.org/global/documents/cap/Guidance%20Note%20on%20LTA%20policy.docx))

1. LTAs can be set up and configured as follows:

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| **Type of LTAs** | **General description and characteristics** |
| **Single vendor LTA** | One vendor supplying the total requirements for a given type of goods/services. |
| **Multiple vendor LTAs without secondary competition** | Two or more vendors supplying the same requirements with clear differentiation or established criteria for using each vendor. |
| **Multiple vendor LTAs with secondary competition** | Two or more vendors supplying the same requirements. Placement of orders is determined through a secondary competition. |

LTA Classification Based on Market Analysis

1. LTAs, whether single or multiple, are non-exclusive agreements. While they may seem attractive because of their immediate availability, it is important to conduct a careful assessment before placing an order.  If large volumes are required, which significantly exceed the requirement set in the LTA, the potential for volume discounts may be reduced. Using global or regional LTAs may not reflect varying costs and delivery times in different locations.
2. When circumstances dictate, and considering the non-exclusive nature of LTAs, a business unit may source specific requirements outside any or all existing LTAs. It can conduct a separate competitive process if there is a good indication that it could obtain better prices or terms and conditions than those in the existing LTA. The LTA vendor(s) should be allowed to participate.

Duration of LTAs

1. LTAs generally have a maximum duration of three years, except where the nature of the market or the requirement justifies a longer duration. Reasons include:

a.       The selected vendor(s) needs to develop costly technologies or infrastructure that require longer engagement to recover investment costs. A longer LTA may allow for a lower overall or unit price.  A similar rationale applies where the costs resulting from changing vendor(s).), generally known as “migration” costs is demonstrated to be more expensive if the duration is too short;

b.      There are no changes in requirements, but the retendering period is expected to exceed nine months, or a large amount of effort is required to complete the process;

c.       Goods or services being sourced from a monopolistic market are expected to remain so until

1. Examples of situations where a longer maximum duration may apply are:

a.       Insurance services, e.g., for medical, accident, cargo and warehouse, etc.

b.      Banking services

c.       Utility service providers (electricity, water, telecommunications, etc.)

d.      Systems support (e.g., Quantum, security installations, etc.)

1. Procurement processes to replace existing LTAs must provide all bidders with the same amount of information to ensure that there is no undue advantage or preferential treatment given to the incumbent vendors or those that have previously held LTAs. Where changing LTA vendors may involve significant migration costs, these should be factored into any evaluation to ensure value for money. Criteria should be included in the solicitation process to demonstrate fairness and transparency.
2. There is no obligation to extend or complete an LTA. If the performance of the vendor is not satisfactory, if market conditions have changed, or if UNDP demand for the goods and services has changed, an LTA may be allowed to expire.
3. Usage against the ceiling amount of an LTA should be monitored.

Procurement Review Committees

1. LTAs are governed by the same requirements and thresholds as other procurement actions and are subject to review by Procurement Review Committees as set forth in Section VI of the Policy on the Submission of Procurement Actions to Procurement Review Committees.
2. The following procurement actions to create LTAs should be noted:

a.       The total estimated amount for the life of the LTA should be the basis for determining which committee should review it; and

b.      Ex-ante review should be requested for LTAs of longer duration than the standard three-year period.

1. The review procedure for using LTAs created by other UN agencies is described below.

Cooperation with UN Entities[[1]](#footnote-1)

1. “Delivering as One” and other UN reform initiatives have accelerated efforts among UN entities to collaborate and cooperate on Supply Chain Management, including procurement. Moreover, the issuance of the [“Mutual Recognition” statement released by the Secretary General in 2019](https://www.unsystem.org/content/mutual-recognition#:~:text=Mutual%20Recognition%20In%20a%20joint%20effort%20to%20advance,in%202018%20to%20develop%20a%20Mutual%20Recognition%20Statement.) formalizes the commitment of UN entities to use or rely on other entities’ policies, procedures, system contracts and related operational mechanisms for the implementation of activities without further evaluation checks or approvals being required, to the greatest extent practicable.

To further collaboration between UN Entities and in support of UN initiatives, it may be determined that cooperation with other organisations, agencies or programmes of the United Nations system is appropriate to meet the requirements of UNDP. Procurement cooperation may be considered appropriate to, inter alia, obtain volume pricing or achieve process or operational efficiencies and may take the following forms or modalities:

* Using LTAs or system contracts of other UN entities (piggybacking);
* Reuse of UN Entity solicitation results;
* Establishing and using joint LTAs and contracts (joint solicitation);
* Using procurement services of other UN entities (outsourcing);
* Procuring from another UN entity;
* Using a joint procurement unit.

Moreover, Supply Chain Management collaboration further encompasses the following range of activities and is encouraged wherever appropriate:

* Sharing technical requirements (specifications, terms of reference, statement of works) or developing common technical and performance requirements
* Leveraging technical expertise of other UN Organisations and non-UN partners to collaborate on quality assurance of products and services
* Joint forecasting, logistics and warehousing with UN and non-UN partners for the purpose of market shaping activities
* Joint assessments of manufacturers’ capacity with UN and non-UN partners
* Joint strategies with UN and non-UN partners, e.g., to stimulate and create product development and markets, to ensure product tracking, etc.

The purpose of this section is to provide the policy and procedures for UNDP’s **procurement cooperation** with other entities of the United Nations System. It should be used in conjunction with the document “Common UN Procurement at the Country Level” (<https://www.ungm.org/Shared/KnowledgeCenter/Pages/HWG_GUIDE>) which was published by the United Nations High Level Committee on Management (HLCM) Procurement Network in March 2012.

1. UNDP’s FRR 121.02 (b) states that “the Chief Procurement Officer may cooperate with other organizations of the UN system to meet the procurement requirements of UNDP, *provided that the regulations and rules of those organizations are consistent with those of UNDP.*” The same rule also states, “Such cooperation *may include carrying out common procurement actions together, or UNDP may enter into a contract relying on a procurement decision of another organization, or may request another organization to carry out procurement activities on behalf of UNDP.”*
2. FRR 121.05 (a) on direct contracting includes an exception to the use of formal methods of solicitation: vi. The proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to Rule 121.02.
3. **Using LTAs or system contracts of other UN entities (piggybacking)**

UNDP may use an LTA or system contract created by another UN entity, even if not concluded through a joint solicitation exercise, provided that the LTA satisfies UNDP’s requirements, specifically in terms of value for money and fit-for-purpose. Such an assessment should be determined and guided by the following:

* The value of UNDP’s call-off is less than or equal to the intended single call-off volume (if indicated in the LTA) or is not more than the total value of the LTA and the LTA vendor offers goods or services to UNDP with the same terms and conditions. An LTA should not be used to order disproportionately higher volumes than intended, especially for goods/services with volume discounts not reflected in the LTA;
* UNDP’s requirements are equivalent to those included in the LTA;
* The LTA set-up in terms of type and configuration, especially in respect of geographical coverage and conditions of usage for multiple vendor LTAs, serve UNDP’s purposes;

If the LTA has been approved according to the procedures established in the respective UN entity, a separate review of the LTA by UNDP’s review committee shall not be required, provided the following is met:

1. The LTA is still valid and has not been cancelled or terminated;
2. The UN entity that created and owns the LTA permits its use by [*UNDP’s*] and has confirmed this in writing. In obtaining the written approval, it is recommended to obtain from the other UN entity information about the LTA by using the HLCM-endorsed [LTA information sheet](https://popp.undp.org/node/5196) which includes details about the LTA type, duration, ceiling amount (if applicable), reporting requirements for its usage by other UN entities, guidance note for usage of the LTA, etc. In addition, UNDP must obtain a signed copy of the UN entity’s LTA.
3. The vendor on the UN entity LTA is eligible with respect to UNDP’s requirements on vendor eligibility;
4. The vendor accepts UNDP’s General Conditions of Contract.

A separate agreement, typically in the format of a [*type of agreement e.g. Purchase Order or Memorandum of Agreement*], must be signed between the vendor and *UNDP*.

LTAs of other UN entities are available at [www.ungm.org](http://www.ungm.org). It should be noted that all LTAs available in UNGM are considered to have met the premise in paragraph b) above i.e. that the entity that created the LTA permits the use by other UN entities.

If a UN entity utilizes another entity’s LTA they must fulfil the reporting requirements established by the entity that created it in the first place, in terms of value of orders placed against the LTA, performance of the supplier, etc. utilizing the UNGM functionality for this. Usage against the ceiling of an LTA shall be monitored.

Best Practices for sharing LTAs including the LTA Information Summary Form are available at: <https://www.ungm.org/Shared/KnowledgeCenter/Document?widgetId=2198&documentId=592607>.

1. If a UNDP Business Unit is using an LTA from another agency that is not in the repository but has value, the unit may propose adding it to the repository.
2. **Re-use of UN Entity Solicitation Results**

For a single or related series of planned procurement actions, *UNDP* may rely on the competitive selection process of another UN Entity, when, in *UNDP’s* estimation, the potential benefits of undertaking a new selection process would not justify the associated administrative costs. *UNDP* may reuse the tender results to procure goods, works or services without undertaking a separate selection process, provided that:

1. the award is made within a twelve (12) month period after the contract signature date;
2. the requirements for the goods, works or services are substantially the same and the quantities originally tendered were similar or greater;
3. the Vendor agrees to offer the goods, works or services at the same terms and conditions and that these are considered reasonable for the market. Similarly to clause 6(a) above on country-specific LTAs, this provision is more suitable for goods or services procured in a given country as market conditions may be different in another country. In the event that a country office needs to utilise a country-specific solicitation process by another UN Entity, the requesting country office shall ensure that the result of the solicitation process is suitable for the requirements and value for money shall be demonstrated;
4. the Vendor accepts UNDP’s terms and conditions.
5. the case is submitted to the appropriate *UNDP’s* contracts review committee based on the value of the engagement and approval is obtained from the appropriate procurement authority of UNDP . UNDP will have to obtain relevant and sufficient information from the other UN Entity similar to the [LTA Information Sharing Form](https://popp.undp.org/node/5196) prior to submitting the case to the appropriate UNDP’s contracts review committee in order for the contracts review committee to be able to do a meaningful review of the tender process conducted by the other UN Entity. For that purpose, UNDP should obtain from the other UN Entity the following information:

* The Supplier’s name and contact details.
* A copy of the published RFQ, ITB, or RFP.
* Confirmation that the vendor has demonstrated performance under the contract
* A copy of the contract. If this is not possible, as a minimum: a brief description of the goods and/or services procured, the contract reference number, the contract date, the contractual delivery times, and the contract prices.
* The UNSPSC code(s) related to the goods and/or services covered under the contract.
* The date and reference of the relevant contracts review committee's recommendation of approval of the award, including specific information, as to whether or not the solicitation process was a formal competitive process, the number of responsive bids received, confirmation of award as per the RFQ, ITB or RFP provisions, including any significant comments of the contracts review committee that may be relevant.

1. **Establishing and using joint LTAs and contracts (joint solicitation)**

UNDP may elect to undertake joint procurement activities with one or more UN Entities, based on the estimated total value of a single or related series of planned procurement actions. Generally, the cooperating UN Entities will choose one UN Entity to lead the procurement process under the procurement rules and regulations of that UN Entity. Cooperating UN Entities will jointly agree on the Solicitation Documents and evaluation criteria and will jointly evaluate the offers submitted. The Solicitation Documents should clearly specify the expected contractual form for effecting the procurement. Joint Solicitations are subject to the review requirements of the lead UN Entity only, except in those cases where the applicable evaluation criteria or the resulting award differs from that of the Lead UN Entity. In the case where UNDP is the Lead UN Entity it may provide for representation by the other participating UN Entities on the relevant Procurement Committee responsible for reviewing the procurement activity. The outcome of the Lead UN Entity Procurement Committee review should be shared with participating organisations.

1. **Using procurement services of other UN entities including joint procurement units (outsourcing)**

Under certain circumstances it may be appropriate or necessary to request another UN Entity to carry out certain procurement activities on behalf of UNDP. UN entities will enter into an appropriate legal instrument for outsourcing of the relevant procurement activity. Outsourcing may be considered in the following situations:

1. **Expertise.** When UNDP recognizes particular expertise of another United Nations entity in the procurement of specific goods, works or services, the designated procurement authority may authorize outsourcing for the specific goods, works or services and designate the UN Entity as the procurement agent for UNDP.
2. **Procurement / Administrative Capacity.** When UNDP does not itself have the necessary procurement and/or administrative capacity in a country, procurement actions may be undertaken on behalf of UNDP by the representative of another UN Entity with the necessary procurement and administrative capacity (e.g. representative of the local United Nations Development Programme often provides services to other UN Entities), in accordance with the rules and regulations of that UN Entity.
3. **Shared Services.** When, in a given location, a joint United Nations activity has been established to provide certain administrative services to all partners (e.g. Delivery as One UN initiatives) and has the necessary procurement capacity to achieve economies of scale or to increase effectiveness and efficiency, UNDP may authorize the outsourcing of certain or all procurement actions for any period and designate the joint United Nations activity as the procurement agent for UNDP and will inform *Chief Procurement Officer, CPO*. The rules and procedures established jointly by the participating UN Entities for that activity or for joint procurement activities, including review requirements will be applicable.
4. **Procuring from another UN Entity**

If a UN Entity has goods in stock or delivers certain services, UNDP may procure goods, works or services from that UN Entity, through the establishment of an appropriate legal instrument with the UN Entity. Procurement from another UN Entity must be approved by the designated procurement authority based on adequate justification.

1. This policy has been updated to reflect more recent developments including publication of “Common UN procurement at the country level” and the “Mutual Recognition” Statement which formalizes the joint commitment of UN entities to use or rely on other entities’ policies, procedures, system contracts and related operational mechanisms for the implementation of activities without further evaluation checks or approvals being required.

   When applying the modalities in this policy and relying on the outcome of another UN entity’s procurement process, the procurement process should not be reviewed again by the entity-specific review body except in specific situations mentioned in this policy. The terms of reference of the entity-specific review body should explicitly exclude such actions from a further review. [↑](#footnote-ref-1)