**GUIDANCE NOTES ON MANAGING NEGOTIATIONS**

**RISKS TO BE MITIGATED IN NEGOTIATIONS**

The following risks may occur in negotiation processes:

1. ***Inflation of Prices by vendors***. UNDP may be seen by the vendors as a buyer that frequently negotiates prior to contract award and vendors may decide to increase their initial prices in order to provide buffer amounts for any price reduction or additional work that UNDP may negotiate or request.
2. ***Creation of Opportunity and Bargaining Power***. While negotiation creates an opportunity for UNDP to obtain what it needs, it also creates the same opportunity for the vendors to leverage on their positions, and modify their initial offer to their advantage.
3. ***Uncertainty and Variability of the Process***. The success or failure of a negotiation largely depends on extremely variable factors such as human motivation, behavior, attitudes, and mindsets, made complicated by the opposing objectives of the negotiating parties. These factors could significantly impact the outcome of the negotiation or the entire procurement process and should be managed professionally.
4. **Disputes:** Thismay arise from a minor error or disagreement in a negotiation. In public procurement, the need for fair treatment of vendors and timely completion of the procurement process are additional pressures on UNDP to manage negotiations carefully and properly.
5. The above are some of the reasons why the decision to negotiate should be preceded by due diligence and judicious thinking process, exploring first all other feasible and more practical options. Negotiations should not be used as a corrective action to poor planning or poor drafted solicitation requirements.

**MANAGING THE NEGOTIATION PROCESS**

* 1. Negotiations must be conducted in a courteous, ethical and professional manner. The overall climate for negotiations should be conducive for the parties to collaborate and listen attentively to the points being raised by the other party, in order to understand their respective needs, constraints and risks.
	2. Negotiations that are not handled carefully can escalate into vendor protests, which should be avoided at all times.
	3. Aim of negotiations must be to reach mutually beneficial agreements for both parties.
	4. Negotiations can transpire through any of the following means :
		+ 1. Face to face meeting or series of meetings; or
			2. Teleconference / Video conference; or
			3. Exchange of formal letters or e-mail communications.
	5. In the event that a face-to-face meeting is preferred, the meeting must take place within UNDP premises.
	6. UNDP should lead the negotiation process and must consistently safeguard the best interest of UNDP.
	7. The basic principles of procurement should continue to apply in negotiations. While the recommended bidder has a strong incentive to establish or build upon a long-term business relationship with UNDP, UNDP should focus on achieving highest possible quality and value for money.
	8. The Negotiation Team must recognize that the bidder also has the right to accept or reject the requests of UNDP and provide appropriate reasons for their decision.
	9. In instances where the bidder requests for a concession that would be unfavourable to UNDP and is thus rejected by UNDP, UNDP is obliged to explain the reasons for the rejection to the bidder.
	10. If UNDP is negotiating for items that are based on the favorable findings from proposals of other bidders, the name of the bidder from where the idea was sourced should not be disclosed during or after the negotiation.
	11. Negotiations can be conducted in a single or multiple rounds but must be followed by a written confirmation of the agreements achieved each time. The duration of the session/s or exchange/s may vary based on the complexity of the requirement, and the position taken by each party on the negotiation subjects.