**Guidance Notes**

1. **SETTING UP AN LTA**

For setting up an LTA, the key factors that should be considered are:

1. ***Demand Analysis*** *-* An estimate of the volume in broad terms with an understanding of the frequency of the need for the goods/services during the life of the LTA. A procurement spend analysis is an effective tool in establishing the need for LTAs and for its optimum use through detecting demand aggregation possibilities across Offices to determine whether there might be significant or recurrent demand. The spend analysis should be complemented with future procurement forecasting based on programme and resource mobilization pipeline forecasts;
2. ***Market analysis*** - to ascertain supply and demand characteristics, estimation of market prices and price fluctuation tendencies as well as frequency of technological changes (latter could reduce prices in future years) and UNDP’s potential to leverage the market;
3. ***Requirements for emergency preparedness*** - There are situations (e.g., natural disasters, disease outbreak, humanitarian crisis arising from conflict, etc.) for which, though the time of actual occurrence cannot be predicted, the subsequent requirements during such exigencies can be established beforehand. An LTA is a useful instrument as preparedness to respond timely and effectively, while ensuring that the needed diligence and competitive standards are duly met through processes undertaken in advance;
4. ***Resources and expertise available*** – Are available as necessary throughout the life of the LTA to ensure through successful usage of the LTA through adequate contract management and monitoring; and
5. ***Similar LTAs set-up by other UN Agencies*** *–* Enquiries to determine if an LTA for similar requirements has already been set-up by other UN Agencies at higher volumes than UNDP’s volume. It may then make sense to use the other Agency’s LTA rather than set-up a new one, thus saving time, effort and cost, especially if it is determined that the consolidation of volume with other UN Agencies may leverage volume discounts on the price.
6. **PRE-REQUISITES TO LTAs**

Prior to the initiation of any procurement process that leads to an LTA, the following information and data should be established:

1. ***Requirements –*** The Specifications/ Terms of Reference/Statement of Works, which defines the requirements, should be prepared. The configuration of the LTA would be determined by whether the requirements are fixed for the whole duration of the LTA or if they may change for each call-off;
2. ***Volume and Value –*** The estimated volume and/or overall value of expenditure for the type of goods/services required, from the demand analysis should be provided to enable vendors to adequately formulate and price their offers for the LTA. It would also be useful to quantify the maximum possible estimate of each call-off if this is known, especially if the goods/service is subject to volume discount. Any provisions for volume discount, if applicable, should be clearly stated. It should be emphasized and clearly stated, that such figures are merely indications of previous or projected business volume and should not be construed by the vendors as a commitment nor a guarantee of business volume under the LTA from UNDP;
3. ***Price Adjustment, if any –*** Wherever possible, LTA should have fixed prices. However, there are some goods and services by its very nature makes them susceptible to price changes and fluctuations and it may not be in the interest of UNDP to ask for fixed prices over the duration of the LTA. Such situations determined from in-depth market analysis may necessitate inclusion of a price adjustment provision based on various internationally accepted indices or other market specific factors such as benchmark prices (e.g. for fuel supply). The manner of application of price adjustment provision should be clearly indicated in the solicitation documents and reflected in the LTA;
4. ***Duration of the LTA –*** The optimum life (duration) of the LTA should be specified to inform vendors of expectations and should be based on market analysis and other factors such as price volatility, technology changes, investment costs, etc. To avoid the adverse consequences of a long-term relationship with a non-performing vendor, who may be engaged for the first time, the LTA may include a provision for an initial duration of one (1) year, with possibility of an extension for additional year(s) based on documented satisfactory performance;
5. ***Type and Configuration of the LTA –*** Determine whether the requirements are best served by in-country use, regional use, or global use (type of LTA) and single or multiple vendor(s) (configuration of the LTA);
6. ***Call-Off Mechanism –*** Stipulate in the LTA the process and form of documentation that will represent the call-off action, (e.g., the type of contract to be signed, Purchase Order Issuance, etc.), which will authorize to commence;
7. ***Procurement Process –*** Determine whether the procurement process should be based on an RFP or ITB, formulate appropriate evaluation criteria etc.;
8. ***Quality Standards –*** Determine and specify the required quality standards for goods and services, including warranty needs, installation and/or training services to be provided by the Vendor;
9. ***Vendor Performance Monitoring –*** Adequate provisions for vendor performance monitoring of established KPIs over the life of the LTA including feedback from all users of the LTA; and
10. **Cooperation with other UN Agencies –** Collaboration potential with UN Agencies, if any, to promote efficiency across UN agencies.
11. **CONFIGURATIONS OF LTAs**
12. **Single Vendor LTA**

A Single Vendor LTA has benefits in lower transaction cost arising from simpler monitoring and contract management.

This would be the majority of LTAs and examples could be for various types of goods such as generators, communications equipment or travel agency services.

An Office may decide to buy the same brand for reason for standardization, however, if the goods are being procured for the first time, the office may consider selection of LTA based on a) to c) under Multiple Vendor LTAs without secondary competition.

1. **Multiple Vendor LTAs without secondary competition**

This is generally used to diversify supply sources for large volume procurement and when preparedness to deliver is critical where depending on only one vendor could potentially be risky in meeting all the quantities or requirements when needed e.g. for humanitarian supplies such as tents, generators.

There should be clear guidance on when to use each vendor to ensure not only that vendors are treated equally but also that their expectations are me, which would contribute to competitive pricing. Usage could be based on one or more considerations of a) ranking based on preferential pricing; b) target quantities (quota) for each vendor over a period; c) availability of requirements when needed; c) geographical coverage; and d) sub-category of goods.

1. **Multiple Vendor LTAs with secondary competition**

This type of LTA is used when the requirements are only known in very general and broad terms when the LTAs are set-up and the full details of the requirements can only be specified and expressed during the call-off.

The LTAs normally have ceiling unit costs established, but the final cost of any call-off can only be determined when the exact details of the requirements are known and could change due to:

1. The delivery is extremely urgent and the transportation mode and expedited production requirement may affect the overall cost;
2. While the type of goods are known but specifications are user-specific e.g. ballot boxes;
3. Multi-disciplinary consulting services (may include audit services) – where the professional fees of various experts may have been fixed in the LTA but the actual cost of an engagement may depend on the duration and location of the work, the types and number of personnel required, and all other out-of-pocket expenses that are expected to be incurred;
4. Venue and Events management services – where certain rates may have been fixed in the LTA but the actual cost of an event may depend on the number of days, the number of participants, the equipment that will be needed, the number of meals to be served, etc.;
5. Electoral products and services such as ballot boxes, registration kits; and
6. Pharmaceuticals and laboratory/medical equipment.

Establishing multiple LTAs should clearly pre-determine:

1. The optimum number of LTAs that should be concluded; and
2. The procedure for call-offs for multiple LTAs without or conducting the secondary competition.

Multiple LTAs require complex contract management and increased transaction costs, especially for those that require secondary competition and should only be considered if it is necessary and there is sufficient expertise and resources. Specialized LTAs are normally in this category.

When there is secondary bidding the mini-bid template: [Request for Secondary Bid](https://popp.undp.org/node/22916) should be utilized for the process and should be included in the Standard Operating Procedure (SOP) of the LTA.

1. **LTA CONFIGURATIONS BASED ON MARKET ANALYSIS**

The configuration of LTAs is not pre-defined to types of goods or services or vice-versa. The same goods or services in one country or region which is considered a single LTA may in others be considered as either of the multiple LTA types.

A prime example of this is in Travel Agency Services LTAs. In markets where global computerised and web based ticketing systems are used, it may not be possible to have multiple LTAs with secondary competition as different travel agents may not be able to book the same passenger on the same flight on the same day or if ticket prices are fixed in all respects including commissions etc. In other markets, secondary competition may very well be the optimal process, if global reservation systems are not extensively used or there are considerable ticket pricing variables.

It is therefore important in any business case to establish an LTA that a proper market analysis is undertaken to understand how the market operates in the specific environment.

1. **SOLICITATION PROCESS AND REQUIREMENTS**

The overall solicitation process for LTAs should be conducted in accordance with the procedures and guidelines prescribed in the POPP-Contract and Procurement. In addition to the requirements under the ITB or RFP, the following information should be outlined as a part of the LTA solicitation document:

1. A clear indication that the solicitation process results in an LTA or LTAs;
2. The expected duration of the LTA and possibilities for subsequent extension;
3. An estimated volumes to be purchased ( annually and/or throughout the period of the LTA);
4. The right of UNDP to enter into LTAs with more than one vendor and the right to split the award of contracts among the LTA holders if it is in UNDP’s best interest;
5. A solicitation of volume discount where appropriate (including the proposed discount framework for evaluation purposes); and
6. A clear statement that LTAs are considered non-exclusive and estimated amount are based on forecast of needs and the ceiling amount appeared in the LTA does not constitute a commitment to place call-offs up to the volume.
7. **EVALUATION AND CAP/RACP/ACP SUBMISSION**

The bid evaluation should be conducted in accordance with the POPP-Contract and Procurement and the specific evaluation criteria stipulated in the solicitation document.

All LTAs shall be submitted to the appropriate contract review committee (CAP/RACP/ACP) in accordance with the delegated procurement authority of the business unit. In addition to standard CAP/RACP/ACP submission requirements, the submissions for the establishment of LTAs should also include the following;

1. An analysis of historical purchase orders/contracts for the same types of goods/services demonstrating the recurrent need for an LTA or LTAs;
2. The estimated demand for the period of the LTA and/or estimated annual requirement
3. A narrative description of the procurement strategy chosen that includes an justification for the type of LTA chosen and solicitation method;
4. An analysis of the production capacity of the proposed LTA holder(s) vs. estimated volume (includes the financial statement of the selected vendor(s));
5. A narrative describing the intended scope ( corporate, regional, country office or specialised LTA) and procedures for the use of LTA(s); and
6. A detailed description of the proposed contract management considerations including LTA ownership, KPI, and reporting requirements.
7. **AWARD**

Subsequent to the approval by the delegated procurement authority through CAP/RACP/ACP, LTAs may be established with recommended vendor(s) in accordance with the terms and conditions set out in the solicitation documents. Standardised LTA templates are available at UHNDP/PSO intranet site. These templates are for standardised requirement and shall be carefully adjusted to the specific purpose of the LTAs.

The Business Unit concerned shall notify the selected vendor(s) accordingly. In addition, the notice of the award of the LTA(s) shall be published in accordance with the established award notice procedures.

1. **MANAGEMENT OF LTAs**

The BU that created and owns the LTA shall be responsible for the management of the LTA. As most LTAs will be utilised by different users, all LTAs should be accompanied by standard operating procedures (SOPs) to ensure correct and appropriate use of the LTAs. The SOPs should include instructions for call-offs, mechanisms for reporting, monitoring utilization, performance feedback, as well as other relevant information. These could be shared with the “Information on Use of this LTA” when other Agencies request to use UNDP’s LTAs.

1. **Assignment of a Focal Person**

The management of an LTA can be demanding and time-intensive and requires a focal person for the monitoring and management of each LTA. The focal person should be knowledgeable in procurement and contract management.

1. **Placing Call-Offs**

Call-offs should be done properly in accordance with the provisions of the LTAs and using the agreed instrument for signalling and executing call-offs, the most common of which is the Purchase Order.

1. **Monitoring of Cumulative Contract Amount**

Given that LTAs contain a maximum limit amount which should not be exceeded during its life, a systematic and consistent monitoring of the cumulative contract amount on LTA should be in place.

Each call-off should be made based on the finding that the value of the call-off, if added to the current cumulative contract amount, will bring a total cumulative amount that remains within the maximum limit amount of the LTA. This function is most critical in Regional and Global LTAs where the rate of utilization may not necessarily be known to the BU that owns the LTA.

For all LTAs, the BU, monitoring the actual usage and the ceiling amount, shall take appropriate action (i.e. to submit the LTA to CAP/RACP/ACP for amendment/extension or to rebid. Any decision to amend/extend or rebid shall be based on the analysis of the market conditions and vendor performance and should be documented for record.

1. **Performance Review**

Any decision to extend an LTA should be based on a documented review of annual vendor performance. The performance review standards (indicators for measurement) should be spelt out upfront and communicated to the Vendor(s) along with the LTA. Performance review could also be supplemented with user-group surveys within UNDP i.e., those who have utilized the LTA, either by placing a call-off, or by being the end user of the goods or services in the LTA.

Notwithstanding the annual performance review, users of the LTA should be encouraged to give feedback on the service level quality and vendor performance at any time, through the focal person for the LTA, who shall communicate such feedback to the vendor and to initiate corrective action, if any.

1. **Monitoring of Price Adjustments**

LTAs that have price adjustments need to be monitored that any such adjustments are made in accordance with the provision of the price adjustment and adequately tracked and documented.

LTAs without price adjustments provisions generally should not entertain any price increases. If a vendor requests a price increase and the Office that set-up the LTA determines that there are exceptional reasons to justify the increase and it is in UNDP’s interest to consider the increase rather than undertake a new LTA process, then such price increases need to be submitted to the relevant procurement review committees for review, based on the governing thresholds.

1. **Continuous assessment**

Throughout the LTA period, the following issues shall be assessed continuously in order todecide whether the LTA(S) should remain in use or not:

* Have there been significant changes in current market conditions/Price?
* Have new/potential vendors entered into the market?
* Has the performance of the current LTA holder(s) been satisfactory?
* Have the requirements changed significantly (e.g. drastic change in amount, need to revise the specs or scope of work/TOR?

1. **Vendors Prioritizing Supply**

In the event that the demand for the goods or services on LTA is high for both the UN Agency and UNDP, and where supply is low, then there may be circumstances when the vendor may prioritize the requirements of the UN Agency before serving those of UNDP. This condition should be considered and assessed by UNDP before it places a call-off with the vendor.