

HLCM Procurement Network project

Collaborative Procurement of High-Value Commodities – Phase II

Summary report – FINAL (following Montreal consultation)



Lead agency (Phase II):



Authors: Alexander Blecken, Stephen Ingles

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Executive Summary¹

The purpose of the project “**Collaborative Procurement of High-Value Commodities**” (Phases I and II) was to analyse the procurement footprint of the United Nations system of organizations and develop recommendations on **opportunities for collaborative procurement projects**.

The project was delivered in a phased approach with Phase I having been carried out from September to December 2016 and Phase II from May to July 2017. During Phase I, approximately **40 common procurement categories** had been the subject of a preliminary analysis. Through a **sequenced approach**, this comprehensive list had been sequentially reduced due to a prioritized shortlist of categories with the most beneficial impact / likelihood of success rating. The categories with the highest rating scores were: Advisory services, executive search services, IT hardware (laptops, desktops, monitors), generators and tents, making these five categories the most likely candidates for further collaborative procurement projects. The **summary report on Phase I** is available through the HLCM Procurement Network Secretariat which can be reached at HLCMPN.Secretariat@one.un.org.

A total of 18 UN organizations joined the project in Phase II, representing a cumulative >95% of the overall spend of the United Nations system. The project was led through **five different workstreams**. In these workstreams, the potential of each of the category for a collaborative approach was analysed through detailed PO spend data, available contracts, bilateral as well as group discussions. **Two categories emerged with a clear recommendation for a collaborative procurement project**. These include IT hardware and generators. **IT hardware** (laptops, desktops, and monitors) has a significant volume of ~90m USD and is a both generic and universal need of all UN organizations. The approach to this category from a procurement perspective is very similar among the UN organizations and the selection of brands is limited to HP, Dell and Lenovo. Achievable savings if implemented successfully and supported by all relevant UN organizations is estimated at **3.71m USD** with some additional administrative cost avoidance.

For **generators**,² the overall spend is somewhat smaller (~30m USD). The needs of the UN system organizations are very similar, goods are purchased partially from the same suppliers already, volume discounts are likely to be achievable if volumes are pooled and technological advances such as the addition of solar-powered applications make it even more worthwhile to collaborate. Achievable savings if implemented successfully and supported by all relevant UN organizations are estimated at **2.6m USD** with some additional administrative cost avoidance.³ These two categories should be pursued with first priority and a collaborative procurement project should be undertaken for each of these two categories.

¹ *This Summary Report is an updated version reflecting footnotes stemming from the Procurement Network meeting held in Montreal, Canada during October 2017. In particular, the updated Summary reflects feedback from UNPD concerning the collaborative procurement opportunities afforded by a project for generators.*

² *UNPD stated at the Montreal meeting that in their view, opportunities for savings for generators were more limited because the specification of their generators is a ‘high-end’ specification which is unlikely to be required by other agencies, thereby limiting the potential scope for collaboration savings. Of the total spend in this category (~30m USD), around 45% (13.9m USD) is spent by UNPD. UNPD generators are custom-designed for use in extreme mission conditions with redundancy failsafe features to minimise the need for expert intervention. The shipping canopy also differs and the spare part package varies from the norm. These features result in higher prices per unit.*

³ *The proposed collaborative procurement project for generators would need to validate the estimated level of potential savings, which may be overstated at 2.6m USD, in light of comments noted in footnote 2 above.*

For the **category advisory and management consulting services**, UN organizations have an overall very significant spend (~460m USD). Despite this volume and requirements which can frequently be subsumed and which lend themselves to establishing LTAs, not a clear recommendation for a collaborative procurement project can be given. This is due to a number of reasons, inter alia because some UN organizations have a decentralized setup in this category. If the limiting factors could be overcome, the business case for running a collaborative procurement project would be given. **A contract database with over 100 contracts** has been created which lists the daily rates of the most commonly used vendors in this category. Through arbitrage, example savings in certain instances of up to 49% are possible.

For two further categories, the detailed analysis yielded that they should – at this stage – be **deprioritized for collaborative procurement undertakings**. These include the categories tents and executive search services – neither of which lends itself easily to a collaborative procurement project.

As a further output of this phase of the project, **a model was created to estimate administrative cost avoidance** due to collaborative procurement. Costs for running procurement processes are estimated with an activity-based costing method and offset by the effort to coordinate and collaborate. As the model provides for easy parametrization (e.g. number of collaborating UN organizations, difficulty of collaboration, seniority of involved staff members), it provides **a flexible and fairly universal tool** to estimate administrative cost avoidance for any given collaborative procurement project. This was also used to estimate savings for the six categories in focus for Phase II of the project.

All deliverables of this project are available through the lead organization UNHCR (Stephen Ingles and Alexander Blecken) (contact: ingles@unhcr.org).

1. Introduction

The project “Collaborative Procurement of High-Value Commodities” was commissioned by the HLCM Procurement in order to identify and prioritize further opportunities for collaborative procurement. The project was structured in two phases with Phase I focused on a preliminary data analysis and assessment and Phase II on a detailed analysis of the focus categories and an estimation of the potential savings and efficiency gains.

Phase I of the project was completed by 23 December 2016 and Phase II of the project was completed by 31 July 2017. This report focuses on the outcomes of Phase II and assumes that the reader is familiar with the outcomes of Phase I. The full report on Phase I can be obtained from the HLCM PN Secretariat at HLCMPN.Secretariat@one.un.org.

1.1 Project objectives and benefits

The project objectives were as follows:

- Review current joint procurement contracts scope and category and current usage by UN organizations
- Review the expenditure analysis undertaken in 2012
- Identify potential opportunities for joint procurement
- Review contract mechanisms for joint contract arrangements and make recommendations for best in class solutions
- Review common vendors and assess the strategic benefits of negotiating improved terms and business volume leverage across multiple agencies

The expected benefits include, inter alia:

- Cost savings and cost avoidance due to improved advanced joint planning for major strategic and volume procurement opportunities
- Enhanced access of all UN agencies to standards and specifications
- Development and optimization of standards in procurement scope and specification in line with best practices

It needs to be noted that this project is analytical in nature and sets the groundwork upon which collaborative procurement initiatives can be launched. The expressed project benefits are dependent on the successful completion of such collaborative procurement initiatives (in a potential subsequent phase) and are hence, not achievable within the scope of this project.

2. Methodology

In order to develop the project’s recommendations, a participatory approach was chosen involving all participating UN organization’s members individually. The project approach was developed in a consultative manner and vetted by experts from other international organizations and academia.

A phased approach was selected which started with assembling a comprehensive long list of potential categories for collaborative procurement and step by step narrowing down this list of categories to a shorter list and then a prioritized final list and recommendations. The project methodology and approach is elaborated in the following sections and displayed in Figure 1.

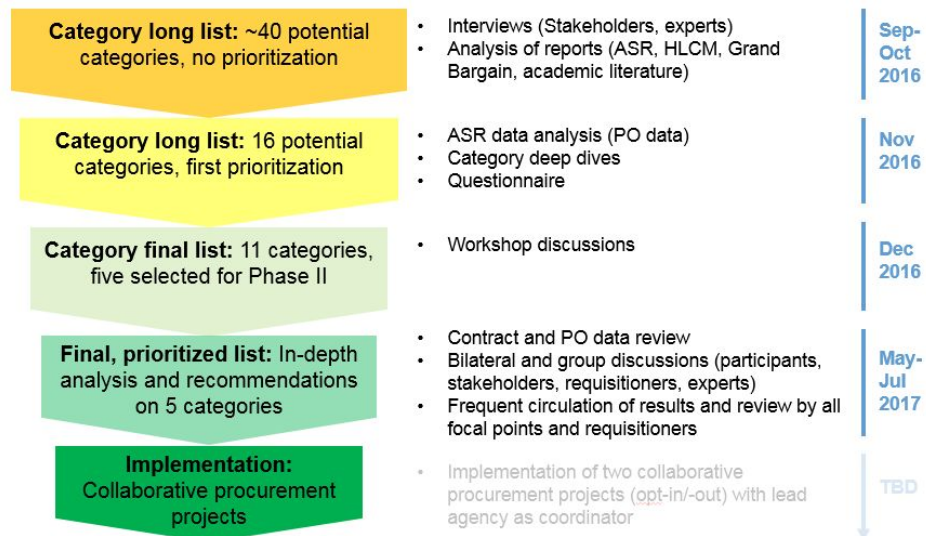


Figure 1: Phased approach for selecting prioritized categories

2.1 Review of methodology of Phase I

During Phase I, the selection of potential procurement categories was narrowed down from an initially established long list of ~40 potential categories to 11 final categories, five of which were subject to a detailed analysis in Phase II. The category long list was created using a number of different sources, inter alia, initial stakeholder interviews, data contained in the Annual Statistical Report on UN Procurement, categories suggested in the Grand Bargain agreement etc.

The categories on the long list were then narrowed down using prioritization by impact and likelihood of successful collaborative procurement. Impact was measured in reduced unit prices or volume discounts, improved contractual terms, lower workload, and other benefits of sharing information. Likelihood is more complex to assess and a broad range of factors determine the likelihood of successful collaboration in a given category such as similarity of specifications, complexity of category, geographical match of demand and supply, supplier base, emotionality, support, and other factors.

In order to further reduce the number of categories and prioritize them, the above criteria were evaluated for each category with the help of a survey and a subsequent workshop. The survey helped to reduce the number of categories to 16 which were then further prioritized in a full-day workshop. The outcome of the workshop was a set of five categories (IT hardware: laptops, desktops, and monitors, generators, tents, advisory and management consulting services and executive search services) with the highest potential for collaborative procurement and which were to be analysed in detail in Phase II. The workshop further determined a set of six runner-up categories (IT hardware: multifunction printers and photocopiers, solar-powered equipment and applications, prefabricated buildings and structures, software, telecommunications equipment, and containers and storage) with overall good potential for collaborative procurement projects.

2.2 Methodology Phase II

The participating UN organizations were asked to carry out preparatory work during the period between Phase I and Phase II (i.e. from January to April 2017) in order to enable an effective start into Phase II. This preparatory work included the nomination of focal points for each category, preparation of detailed PO data and collection of contracts and specifications. Phase II was then structured in five workstreams, one for each of the categories IT hardware: laptops, desktops, and monitors, generators, tents, advisory and management consulting services and executive search services.

Based on the received PO data, specifications and contracts, each workstream followed a slightly different route which depended on the insights generated and the outcome of the discussions. For each workstream, an initial discussion with the focal points took place, followed by group discussions

as appropriate. Results were collated mostly in Excel files and intermediate insights and outcomes were circulated for review among each workstream’s participants.

One deliverable for Phase II was to provide a detailed analysis and ranking of cost savings and efficiency opportunities. The following section outlines how savings were calculated for each of the categories of Phase II.

2.3 Savings and cost avoidance

One objective of Phase II was to provide a detailed analysis and ranking of cost savings and efficiency opportunities for the prioritized categories for collaborative procurement. In doing so, different components come together as illustrated in Figure 2. There are overall three components which make up the overall savings, efficiency gains and other benefits due to collaboration. These are savings, cost avoidance and other benefits. Each of these components is specific to the analysed category and while each components usually is positive, this does not necessarily have to be the case, in particular for savings and cost avoidance.

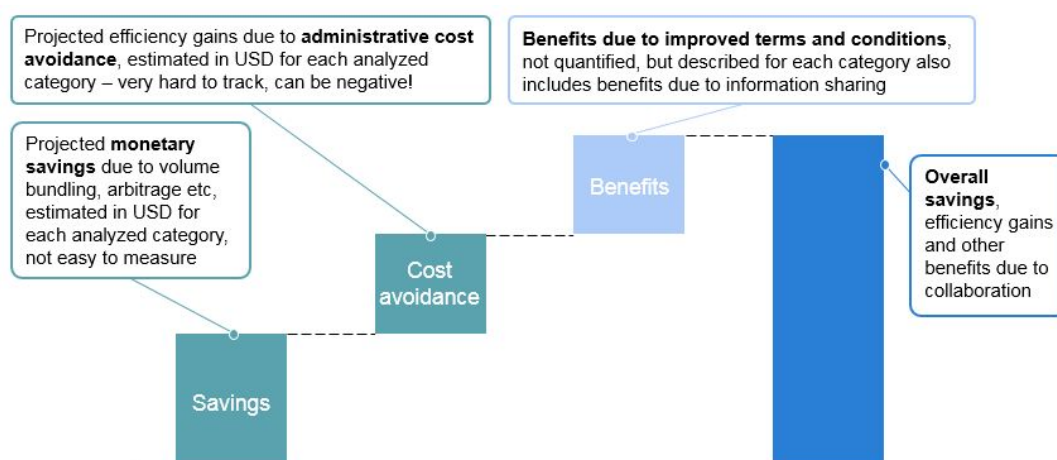


Figure 2: Savings, efficiency gains and other benefits due to collaboration on given category

Savings are achieved mainly through arbitrage, i.e. benefitting from better prices of another UN organization holding a contract for the same goods or services, and through volume discounts. In estimating monetary savings, external benchmarks were consulted, estimations and assessments were made due to the general margins achieved in the respective industry, and existing volume discounts in current contracts were considered. It needs to be considered that measuring savings will not be straightforward due to a number of reasons such as inflation, exchange rates, changing specifications, separation of prices for shipment vs. prices of goods, changes in underlying indexes and markets etc.

Cost avoidance refers to administrative costs which are being avoided, e.g. due to overall lower workload in a collaborative procurement project. Cost avoidance is also estimated individually for each category analysed in the project based on a general and flexible model that was developed during the course of the project. Cost avoidance is hard to track and does not have a direct impact on the budget as it is assumed that the avoided time (=cost) is rededicated to other value-adding activities.

Further **benefits** accrue due to improved terms and conditions in each category. These further benefits are not (or cannot) be quantified in monetary terms but are described for each category. Included here are also general benefits due to information sharing

A model to estimate potential cost avoidance due to collaborative procurement was developed during the course of this project. The model estimates activity-based costs for running procurement processes individually vs. collaboratively, incorporating positive as well as negative effects on workload in a collaborative scenario. The fundamental data for the activity-based costing comes from corroborating several sources, e.g. UNDG, UNFPA, CPT (Rome-based agencies), CPAG (Geneva-based agencies) data as well as own analysis. number of factors can be parameterized such

that the model can be used flexibly in different situations such as number of UN organizations participating in the collaboration, typical length of LTA / contract, difficulty / complexity of coordination, and typical grade of procurement official and procurement assistant.

Figure 3 shows some exemplary results of this model by plotting the estimated administrative cost avoidance for ITBs and RFPs of medium and high collaboration difficulty against the number of participating UN organizations and the results cost avoidance for each UN organizations. For examples, the highlighted data point illustrates that for an ITB of medium difficulty and 4 participating UN organizations, the resulting cost avoidance will be 2,042 USD for each UN organization (per such collaborative project). The figure also illustrates that cost avoidance does not always need to be positive, e.g. for collaborations among fewer UN organizations and collaborations with a high degree of difficulty which can result in additional and increased workload rather than reduced workload.

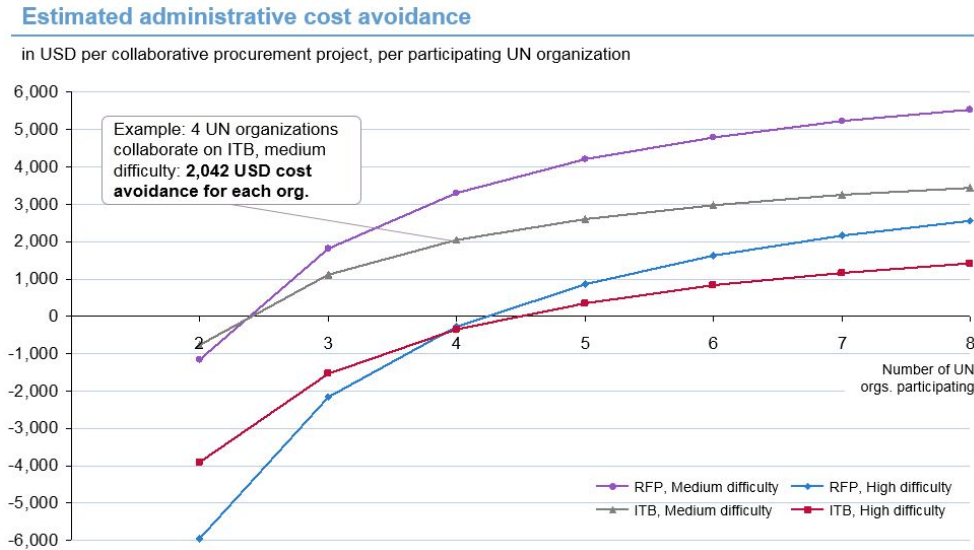


Figure 3: Estimated administrative cost avoidance

3. Results

In this section, the specific results for the examined categories are summarized including the approach chosen, key findings and recommendations as well as recommended timelines and risks.

3.1 IT hardware

This category comprises computer desktops, laptops and monitors including various accessories and upgrade options which are used in the UN organizations’ headquarters as well as field duty stations. The category has an overall volume of 85m USD annually with the largest procurers in the UN system being UN, UNICEF, and UNDP.

In order to come to specific recommendations on the feasibility, risks, benefits and savings and modalities of a potential collaborative approach, the general approach in each category was to request detailed PO data for either the last year or the last available consecutive 12 month period, to request the major contracts held and the key specifications for this category and based on the insights obtained through this approach, engage in a discussion with the category’s focal points.

The received contracts were reviewed and the key elements of the contracts were tabularized. A total of 14 UN organizations provided the required data to complete the table which contained parameters such as general procurement approach to the category, warranty requirements, key vendors, logistics

setup, barcoding and labelling requirements, brand preferences and standardizations and other criteria.

The table also puts into comparison the key specifications of the specific laptop and desktop models used by the participating UN organizations and puts into comparison aspects like model name, HDD space, RAM space, graphics card, included accessories, screen size and a number of other parameters. Prices are also included and for benchmarking purposes, these prices are normalized. Normalization is achieved through determining a baseline configuration (which was chosen to be the most common configuration in a given line of models, e.g. HQ, standard configuration or field, high-end configuration) and pricing the various options where certain models deviated from the standard configuration. Pricing of options was achieved through averaging prices for such option among UN organizations' contracts and where such prices were not available, market prices (net) were applied using standard price search machines.

Overall, it was found that a strong brand preference / standardization exists among the participating UN organizations. Only HP, Lenovo, and Dell are used as brands for laptops and desktops. In terms of procurement approach, all but two organizations purchase through distributors (the exceptions being UNPD and UNDP which purchase from manufacturers directly, i.e. from Lenovo and HP respectively). Most UN organizations have a centralized procurement approach and prescribe configurations which are regularly updated. The used supplier base is relatively small with a few select distributors the most significant volume for those who work with distributors. Price differences exist and it is notable that the prices achieved through distributors are on average better than the prices achieved through manufacturers. As would be expected in a manufacturing industry, volume discounts are possible and already included in some of the existing contracts (but only for single, large orders and not for cumulative volumes). In this industry, prices typically erode quickly (as performance of the products constantly rises) which requires that specifications regularly need to be updated.

In terms of savings, the administrative cost avoidance for a collaborative procurement project in this category was estimated at 4,900 USD in total or 829 USD per organization if successfully carried out. These savings are low due to the perceived high difficulty of successfully completing a collaborative procurement project. The more relevant factor in this category are the actual monetary savings due to arbitrage and volume discounts which amount to a gross total of 3.71m USD.

Figure 4 shows exemplary arbitrage opportunities. Here, the different (normalized) prices paid for the same brands and models are compared. For instance, the highest prices paid for a Lenovo X1 Carbon is 1,383 USD, the lowest prices paid for the same model at the same configuration is 1,041 USD, representing a potential arbitrage opportunity of 25% in this instance. Such arbitrage opportunities were assessed among the entire range of current IT hardware contracts and were added up to a total gross arbitrage opportunity of 2.31m USD. Assuming that 50% of this arbitrage opportunity is realizable (the other portion being not realizable due to implementation losses, specific requirements that prevent switching or piggy-backing of another contracts, spend not being controlled etc.), this results in a net total arbitrage opportunity of 1.15m USD.

Prices paid for given laptop/desktop model, in USD and max. percent savings potential (highest to lowest price), normalized prices for some models

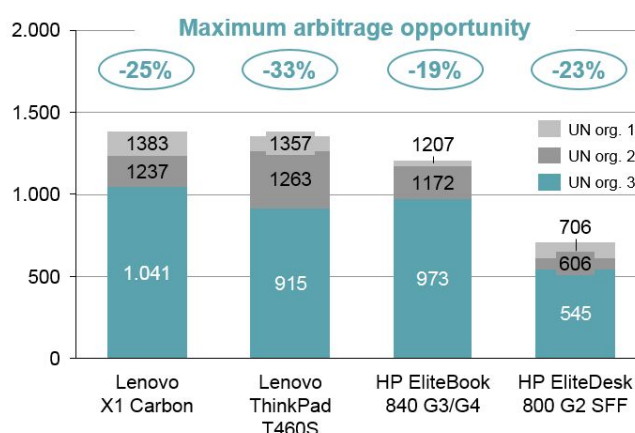


Figure 4: IT hardware: Arbitrage opportunities

Additional to the arbitrage opportunity is a volume discount savings potential. Manufactured goods usually have good economies of scale, however, this market is highly competitive with overall moderate margins as this industry is a consumer-focused industry with high competition. Private sector benchmarks on typical savings in IT hardware through targeted procurement project: 5-45% (when all potential procurement and strategy levers are applied, not only volume discounts). Reviewing existing contracts, UNICEF currently has volume discounts of up to 3% for single large orders at overall good base prices. Therefore, the volume discount target was set at 3% of current prices, which, based on the baseline of 85m USD, results in a savings target of 2.56m USD. Together with the net arbitrage opportunity, this yields a total savings potential of 3.71m USD.

Due to the already close alignment in terms of needs and the fairly significant savings opportunity, it is recommended to undertake a collaborative procurement project in this category. Provided the support and commitment by the internal client units (i.e. the IT departments) of the respective UN organizations, the procurement should follow the lead agency model where the procurement is coordinated by a lead agency and follows the lead agency's procurement rules and procedures. The planning, technical and financial evaluation, and potentially contract review can be carried out collaboratively, i.e. with involvement of the participating UN organizations. Subsequent to contract award, the other UN organizations could then either prepare their own awards or piggy-back from the lead agency's contract. Furthermore, the immediate use of the arbitrage opportunities is recommended. This can take place before or in parallel to a collaborative procurement project. The completion of a collaborative procurement project in this category is estimated to last 12 months.

3.2 Generators

This category comprises power generators with a specific focus on gasoline and diesel-powered generators. Generators are used to provide main as well as backup power for the United Nations' organizations operations including office buildings, hospitals, camps, etc. Generators are distinguished by a range of different specification, inter alia performance specifications, power ratings, grid frequencies, cooling systems, engine types, etc. Contracts for generators usually include a range of auxiliary equipment and goods such as sound proof canopy, cabling, spare parts etc. The category has an overall volume of 31m USD annually, the largest procurer being the UN (13.9m), followed by UNICEF (4.9m) and UNHCR (4.0m).

The participating UN organizations submitted detailed PO data for either the last year or the last available consecutive 12 month period, major contracts held and the key specifications. The received contracts were reviewed and the key elements of the contracts were tabularized. A total of 5 UN organizations provided the required data to complete the table which contained parameters INCOTERMS, currency, power rating, frequency, cooling system and others.

This category is only relevant for some, field-based organizations, which have significant spend in this category. Among those organizations that do purchase this category, the application areas and specifications are similar.⁴ Price differences between contracts do exist. Most UN organizations hold contracts with multiple vendors for a given generator power-rating type to enable selection and choice based on geographic presence and performance of the vendors. As would be expected in a manufacturing industry, volume discounts of up to 3% are possible and already included in some of the existing contracts (but only for single, large orders and not for cumulative volumes). Logistics is usually handled by freight forwarders.

In terms of savings, the administrative cost avoidance for a collaborative procurement project in this category was estimated at 8,186 USD in total or 2,042 USD per organization if successfully carried out. These savings are low compared to the overall savings that can be achieved in this category, which add up to a total of 2.6m USD through arbitrage and volume discounts. This figure comprises of a net arbitrage amount of 1.7m USD and a savings target of 0.9m USD.⁵

The arbitrage amount was calculated based on the assumption (which was verified with the participating UN organizations) that usually the cheapest vendors among the existing vendors for a given power rating was selected. Extending then the selection of contracts from the respective UN organization to all contracts available for a given power rating and again applying the logic that the cheapest among those could also be chosen, provided the arbitrage opportunity. The gross arbitrage figure was then calculated by assuming a certain spend distribution over all power ratings. This spend distribution was created using existing spend distributions from the UN organizations. Assuming that 50% of this arbitrage opportunity is realizable (the other portion being not realizable due to implementation losses, specific requirements that prevent switching or piggy-backing of another contracts, spend not being controlled, not being able to choose the cheapest vendor etc.), this results in a net total arbitrage opportunity of 1.7m USD.

Additional to the arbitrage opportunity is a volume discount savings potential. Manufactured goods usually have good economies of scale. Reviewing existing contracts, some already have volume discounts built in, albeit only for single, large order rather than annually cumulative volumes. Therefore, the volume discount target was set at 3% of current prices, which, based on the baseline of 31m USD, results in a savings target of 0.9m USD. Together with the net arbitrage opportunity, this yields a total savings potential of 2.6m USD.⁶

Due to the already close alignment in terms of needs and the fairly significant savings opportunity, it is recommended to undertake a collaborative procurement project in this category. The procurement should follow the lead agency model where the procurement is coordinated by a lead agency and follows the lead agency's procurement rules and procedures. The procurement approach should be such that the outcome will be multiple LTAs with multiple vendors for a given power rating such that the participating UN organizations have a choice based on price and performance per geographic region. The planning, technical and financial evaluation, and potentially contract review can be carried out collaboratively, i.e. with involvement of the participating UN organizations. Subsequent to contract award, the other UN organizations could then either prepare their own awards or piggy-back from the lead agency's contract. Furthermore, the immediate use of the arbitrage opportunities is recommended. This can take place before or in parallel to a collaborative procurement project. The completion of a collaborative procurement project in this category is estimated to last 9 months.

⁴ UNPD stated at the Montreal meeting that the specification of their generators is a 'high-end' specification which is unlikely to be required by other agencies, thereby limiting the potential scope for collaboration savings.

⁵ UNPD stated that the estimated arbitrage savings amount of USD 1.2m for their volume is not feasible because the specification of their generators differs too much from that of the other agencies. Eliminating this entirely reduces the estimated arbitrage amount to 0.5m USD. Taking a similarly conservative approach to the volume discount reduces this by 0.6m USD to 0.3m USD. Overall the estimated savings on generators would fall from 2.6m USD to 0.8m USD.

⁶ See footnote 5, this reduces from 2.6m USD to 0.8m USD if UNPD estimated savings are excluded.

3.3 Advisory services

This category comprises management and advisory services in various thematic fields such as change management, procurement, project management, health services, audit and assurance services, finances, IT, etc. These are typically provided by management consulting firms operating globally and being able to provide a range of services in a broad range of functional and thematic areas. Audit, tax, and financial advisory services are also included in this category. Not included are the consulting services provided by individuals. The category has an overall volume of 464m USD annually, about half of which comes from UNDP. Other large procurers in this category include UNICEF (99.6m USD) and WFP (44m USD)

As with the other categories, in order to come to specific recommendations on the feasibility, risks, benefits and savings and modalities of a potential collaborative approach, the general approach in this category was to request detailed PO data for either the last year or the last available consecutive 12 month period, to request the major contracts held and the key specifications for this category and based on the insights obtained through this approach, engage in a discussion with the category's focal points. This approach did not work particularly well for this category. While spend data could be reported in general, it was difficult for the organizations to isolate the kind of consulting services sought after, i.e. management consulting and advisory services.

Therefore, the approach was slightly altered and instead the ten most commonly and mutually used vendors in this category were identified the contracts held with these vendors were requested for benchmarking purposes. This provided good results and by late July, 100+ contracts for these vendors had been received and were included in the benchmark. Additionally, JIU reports on this category have been included in the analysis.

The received contracts were reviewed and the key elements of the contracts were tabularized. The vendor, region and if applicable country of service were captured, further the subject matter and the daily rates paid for various seniority levels, inclusion of expenses, discount schedules and other key information.

Almost all UN organizations purchase this category and make use of management consulting and advisory services. Usually, a specific consulting or advisory project is described in the TOR and the vendors provide detailed project proposals in which the pricing is done based on a daily rate and a seniority level of the consulting firm's staff. In such a way the requirements, which can be very specific to each UN organization, are actually fairly general as the large firms in this industry can provide a very broad range of functional expertise and cover many geographic areas. UNOPS took advantage of this ability and recently established a range of LTAs with global providers of management consulting and advisory services.

Overall, it was difficult to obtain the requested detailed information from the UN organizations. Some have a decentralized procurement approach and the requested contracts were not available through the HQ of the organization. Of the contracts received, most were structured according to detailed pricing based on daily rates of different staff levels. Significant price differences even from the same vendors, in same region and for the same functional area exist among the contracts currently held among the UN organizations.

In terms of savings, the administrative cost avoidance for a collaborative procurement project in this category was estimated at 44,300 USD in total or 5,540 USD per organization if successfully carried out. Further, in order to determine savings potentials for solely using arbitrage opportunities, a blended or mixed rate was calculated which appropriately weighted the differences in the daily rates for different seniority levels. The mixed daily rate consisted of the daily rates of a partner (20%), a manager (30%), and a consultant (50%). It was applied only when the services provided were in the same geographic area and for the same functional area. It was found that through arbitrage along, ranges of 5-49% savings (depending on vendor, regional and functional expertise) could be achieved.

In this category, where from a theoretical perspective a collaborative approach should be beneficial, no stand-alone collaborative procurement can at this stage be recommended. Overall, contracts and specific data was too hard to obtain, two of the major procurers have a decentralized procurement setup, and some of the spend is not controlled through procurement but rather by strategic

considerations of the executive management. These factors make the successful completion of a collaborative procurement project particularly difficult.

It is recommended that the UN organizations make use of the created contract database with the most attractive daily rates for each geographic as well as functional area. By piggy-backing on the contract with the best value for money, UN organizations can benefit from the best rates and make use of the arbitrage opportunities.

While the best rates differ for each functional and geographic area and even at different seniority levels, the identification of the best contract will always be dependent on the specific context. However, the overall and on average best-value contracts are those established by UNOPS, in particular because they also include all expenses in the offered daily rates. Hence, it is recommended that UNOPS negotiates volume discounts for all UN organizations who are piggy-backing on its contracts and additionally, that the application of the volume discount is applied on the overall cumulative annual amount (rather than single, large project) of all UN organizations piggy-backing on the contracts.

3.4 Tents

This category comprises portable, soft-walled buildings and structures (tents, membrane structures) for a variety of purposes such as housing of people, personnel, and families, schools and hospitals, warehousing, etc. all of which are used in the operations of the UN organizations. The category has an overall volume of 83m USD annually, the lion share of which comes from UNHCR (60m USD).

As with the other categories, in order to come to specific recommendations on the feasibility, risks, benefits and savings and modalities of a potential collaborative approach, detailed PO data for either the last year was requested, together with the major contracts held and the key specifications followed by bilateral and group discussions.

Overall, it was found that the needs of the organizations purchasing these type of commodities are too different, too specific and too strategic to the respective UN organizations' mandate to provide significant room for collaborative procurement. UNHCR procures family tents for its operations. Own specifications have been developed, some organizations piggy-back on UNHCR's contract but the other organizations do not have a significant demand for these kinds of tents. UNHCR's demand for multi-storage units has also risen quite a bit and while UNHCR has so far piggy-backed on WFP's respective contract, there may be benefits in bilateral exchange between UNHCR and WFP on this category.

IOM also has a significant demand for tents (5.7m USD) but have not provided detailed information on their specific needs / contracts. Yet, even if this need matches UNHCR's need, there would only be a case for a bilateral project and hence something that IOM and UNHCR could further pursue bilaterally without the need for a multi-agency project.

UNICEF's major needs are for multi-purpose tents (which are succinctly different to UNHCR's family tents, e.g. due to size) for which new specifications have recently been developed. Again, other UN organizations piggy-back but none have significant demand for the multi-purpose tents.

WFP's main demand is for multi-storage units, i.e. soft-walled storage facilities. Specifications have been developed over a period of two decades, so this is a strategic commodity and different from other UN organization's needs.

UNPD have not joined the phone conferences on this category but have provided their tent contracts. UNPD purchases a range of tents for their missions (from 35m² to hangar-sized tents). The specifications as well as the pricing for these again are quite different from UNHCR's as well as UNICEF's making a collaboration difficult.

Due to differences in the needs of the UN organizations, there is no significant space for a collaborative procurement project among several UN organizations. The specifications of IOM had not been received at the time of writing, so no definitive recommendation can be provided but it seems likely that there may be space for a limited collaboration between UNHCR and IOM on family tents.

Furthermore, as each UN organization has its own specific needs, it is recommended that purchasing is carried out through the respective natural lead agencies for the different types of tents, e.g. family tents through UNHCR, mobile storage tents through WFP, or larger multi-purpose tents through UNICEF. The participating UN organizations were generally open to offering this service to others by letting other UN organizations piggy-back on their contracts.

3.5 Executive search services

This category comprises executive search services, i.e. a comprehensive set of services around identifying, selecting and recruiting candidates for senior staff positions, usually starting at the P4/P5 level up to ASG/USG level. These services are used when it is deemed that the regular recruitment processes will not yield satisfactory results and need to be supported by “headhunting” or executive search companies in order to identify, attract and recruit high-profile individuals for senior staff positions within the organization.

The category has an overall volume of 3m USD annually – a number much smaller than anticipated after the data reported in Phase I of the project. As with the other categories, in order to come to specific recommendations in this category, the general approach in this category was to request detailed PO data for either the last year or the last available consecutive 12 month period, to request the major contracts held and the key specifications for this category and based on the insights obtained through this approach, engage in a discussion with the category’s focal points.

Overall, this approach did not work particularly well for this category. It proved particularly difficult to obtain accurate spend data on this category. Likewise, when further drilling down into the spend of this category, it turned out that services around training and coaching, facilitation, temporary labour, placement of advertisements etc. were included under the same UNSPSC family code, making the actual spend on executive search much smaller than anticipated during Phase I.

Available data in Phase I suggested higher volumes than this category proved to have among the UN system organizations. However, when these services are procured, the needs and specifications among the UN organizations are fairly similar, as is the structure of the actual contracts. At the same time significant price differences exist for similar services, e.g. for D1 executive search from 20,000 USD to 100,000 USD (+400%). The administrative cost avoidance for a collaborative procurement project in this category was estimated at 21,000 USD in total or 4,200 USD per organization if successfully carried out.

It is recommended that each organization makes use of existing contracts from other UN organizations and benefits from the best terms and prices available among the contracts the various UN organizations hold. Further, since this need is similar among those organizations which use these kind of services, should a UN organization undertake the establishment of a new LTA for this type of service, it is recommended that such a process is opened up at an early stage such that other UN organizations can contribute with their needs and volumes.

4. Recommendations and next steps

The major directly actionable findings of Phase II are as follows:

- ✓ The categories IT hardware (laptops, desktops, monitors) and generators have the highest potential for collaborative procurement projects – these should be implemented with dedicated and focused leadership and support
- ✓ Advisory services (management consulting and audit) has some potential for reaping benefits by leveraging the arbitrage opportunities and potentially negotiating cumulative volume discounts on the most attractive contracts
- ✓ A bilateral collaborative procurement project between IOM and UNHCR on tents should be explored

The HLCM Procurement Network reviewed outcomes of this phase of the project during its session in Montreal in October 2017. The Procurement Network (PN) reached the following conclusions concerning Phase II:

- **The PN acknowledged completion of Phase II of the project “Collaborative Procurement of High-value Commodities” and welcomes its final internal report.**
- **The PN agreed to pursue forms of collaboration in three areas identified in the Phase II report, i.e. IT hardware, generators, and advisory and management consulting services.**
- **The PN agreed that an approach for calculating savings arising from collaborative procurement needs to be jointly developed.**

Concerning IT hardware, UNICEF agreed to be the lead agency for collaborative procurement of IT hardware. Concerning generators, no lead agency is yet identified and the Procurement Network Management Board is currently seeking a lead agency to head this project. Concerning advisory services, Procurement Network members will pursue the option of piggy-backing best value contracts and recording consequent savings.

Concerning developing an approach for calculating savings arising from collaborative procurement, UNOPS agreed to be the lead agency to agree on a collective approach.

An open question remains how collaborative procurement projects can be made less dependent on external funding. Currently, this is a challenge for planning and carrying out collaborative procurement projects as there will be at least one UN organization which will have to bear the additional burden of aligning expectations and requirements and for bearing the additional overhead for management of the collaboration. External funding helps to overcome this challenge. Ideally, however, there would be a systemic mechanism that helps to consider the overall costs and benefits and enable the UN system organizations to undertake collaborative procurement projects in a systematic manner when there is a positive business case (rather than such projects being sporadic, one-off efforts which are dependent on the good will of the lead organization). Currently, there is no systemic mechanism to make this possible. It is suggested that the Procurement Network discusses this question as appropriate and in the spirit of continuous development of procurement practices and systems in the United Nations system of organizations.

List of Abbreviations

ASR	Annual Statistical Report on United Nations Procurement
bn USD	Billion United States Dollars
BOS	Business Operations Strategy
CEB	Chief Executives Board for Coordination
CPAG	Common Procurement Activities Group (Geneva)
CPT	Common Procurement Team (Rome)
ECA	Estimated Cost Avoidance
ECA	Estimated cost avoidance
ERP	Enterprise Resource Planning
GPO	Group Purchasing Organization
HBP	Harmonization of Business Practices
HLCM	High-Level Committee on Management
HQ	Headquarters
IT	Information Technology
JOF	Joint Operations Facility
LTA	Long-Term Agreement
m USD	Million United States Dollars
PN	Procurement Network
PO	Purchase Order
UN	United Nations
UNCT	United Nations Country Team
UNDG	United Nations Development Group
UNGM	United Nations Global Marketplace
UNOG	United Nations Office at Geneva

