

UNITED NATIONS INDUSTRIAL  
DEVELOPMENT ORGANIZATION



# PROCUREMENT MANUAL

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# 1 Introduction

In managing the funds provided by its Member States and donors, UNIDO is expected to comply with relevant Regulations and Rules of the Organization and public procurement principles. It is required of UNIDO that funds entrusted in its care for carrying out its activities are applied effectively and efficiently by upholding fiduciary standards. The Procurement Manual provides principles, guidance and procedures for the Organization to attain those standards in the procurement process. The principles of fairness, transparency, integrity, economy, efficiency and effectiveness must be applied for all procurement transactions, delivered with a high level of professionalism thus justifying UNIDO's involvement in and adding value to the implementation process.

UNIDO's procurement policies, procedures and practices are governed by the Financial Regulations and Rules of UNIDO (UNIDO/DG/B.74/Rev.2) dated 18 August 2006 (Rules 109.5.1 – 109.5.9).

This Procurement Manual is intended to provide direction and guidance on UNIDO's procurement policies and procedures to all staff members and individuals involved in the various stages of the procurement cycle. It also explains the responsibility and accountability of those involved in the procurement process, in keeping with public procurement principles.

Staff members and individuals employed by UNIDO, as further defined herein, are required to comply with the provisions of this Manual.

Procurement Services provides day-to-day advice and guidance on UNIDO's procurement policies, principles and procedures and their interpretation, in consultation with the Office of Legal Affairs, where necessary.

The Procurement Manual is a living document, which may be amended from time to time as deemed necessary to reflect changes in best practice supply chain management and/or evolving trends within the United Nations system of organizations. Any changes will be provided in the form of an amendment to the Manual, or, if deemed necessary, a new version of the Manual will be issued.

The Procurement Manual provides links to reference documents, e-learning material and standard templates.

## 1.1 Definition and Scope of Procurement

Procurement is defined as the overall process of acquiring goods, works, and services, which includes all related functions including planning, forecasting, supply chain management, identification of needs, sourcing and solicitation of offers, preparation and award of contract, as well as contract administration until the final discharge of all obligations as defined in the relevant contract(s). The

procurement process covers activities necessary for the purchase, rental, lease or sale of goods, services, and other requirements such as works and property.

The scope of procurement<sup>1</sup> is limited to activities involving legal entities and does not include the selection and administration of personnel which fall under the domain of Human Resources.

## 2 Procurement Principles

The following four principles shall be given due consideration when undertaking the procurement functions of UNIDO:

- Best value for money;
- Fairness, accountability, integrity and transparency of the procurement process;
- Effective competition;
- The best interest of UNIDO.

Whether carrying out stand-alone procurement or integrated procurement actions, the key to meeting the four procurement principles lies in procurement planning. Procurement planning is also the tool that allows managers to establish and monitor key performance indicators as well as to assess and mitigate risks that have the potential to derail set procurement targets.

### 2.1 Best Value for Money

The best value for money principle shall be applied throughout the whole procurement process. This means that the Procurement Official has to ensure that the requisitioned goods/services/works are procured in a competitive and transparent manner, within a reasonable time frame; meeting the user's requirements as well as taking into account all relevant costs and benefits over the whole procurement process.

The best value for money decisions are influenced by a number of factors including:

- The choice of procurement procedure;
- Effective competition;
- Non-discrimination;
- The geographical spread of the relevant supply chain market;
- Performance;
- Risk;

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<sup>1</sup> Reimbursable loan agreements are now treated as service contracts and processed in Supplier Relationship Management (SRM).

- Financial and contractual considerations;
- Operating, life-cycle and disposal costs when dealing with equipment.

When applying the best value for money principle, Procurement Officials/Authorized Officials shall consider the following:

- 1) Maximize effective competition, where relevant;
- 2) Reduce the risks associated with complex procurements;
- 3) Carefully establish the qualification requirements and evaluation criteria and associated weights in order to select the offer with the highest expectation to meet the Organization's needs; and
- 4) Ensure the impartial and comprehensive evaluation of offers in a timely manner.

## **2.2 Fairness, Integrity, and Transparency**

Fairness<sup>2</sup>, integrity<sup>3</sup> and transparency<sup>4</sup> shall be applied throughout the procurement process. All procurement activities shall be carried out based on clear and appropriate rules and procedures that are applied consistently to all bidders.

## **2.3 Effective Competition**

Effective competition refers to the extent to which UNIDO is successful in creating equal opportunity for potential bidders to participate in the UNIDO procurement activity. This requires of UNIDO to ensure that relevant information is provided to all bidders on a timely basis, and in a reasonable timeframe without any signs of favouritism. It also requires that bidders are not influenced to fix prices of goods and services as an attempt to hinder open competition.

Effective competition shall be measured in terms of the overall costs in conducting the procurement process, taking into consideration the interest of the Organization as well as the expectations of beneficiaries and donors.

## **2.4 The Best Interest of UNIDO**

Procurement in the best interest of UNIDO means carrying out procurement activities in a manner which assists UNIDO in meeting its organizational objectives and goals, in strict compliance with UNIDO Financial Regulations and Rules and procurement principles.

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<sup>2</sup> Treating all bidders in the same and impartial manner.

<sup>3</sup> Personal and institutional behavior such as honesty, truthfulness, accuracy of one's actions, impartiality and incorruptibility.

<sup>4</sup> All transactions are open, visible and well documented, ensuring full audit trail.



### 3 Procurement Authority

#### 3.1 Authorized Officials – Delegation of Procurement Authority

UNIDO Financial Rule 109.5.2(a) refers as follows:

*Unless otherwise directed by the Director-General, the Managing Director, PSM (MD/PSM), is accountable to the Director-General for all procurement functions of UNIDO. The MD/PSM may further delegate procurement authority of staff at Headquarters and other locations, as may be appropriate.*

The procurement authority is delegated in writing and given on an individual and personal basis. The written authority characteristically defines the limit of commitment by the Authorized Official as well as the validity period of the procurement authority. The procurement authority and its related responsibilities are not transferrable.

#### 3.2 Levels of Delegated Procurement Authority

UNIDO applies centralized as well as decentralized procurement with different levels of delegated authorities.

The thresholds of the current delegations of procurement authority are indicated in the table below:

Procurement Procedure		Authorized Official(s)	Limit of Financial Commitment
Centralized Procurement	Centralized procurement of goods/services/works.  Setting up Long Term Agreements (LTAs)/Contracts.  Call off from LTAs.	Staff in Procurement Services only.	All UNIDO funds.  ☞ Grade specific (in accordance with IOM by MD/PSM). For the current limits of financial commitment for each member in Procurement Services please <a href="#">click here</a> .
Decentralized Procurement	Fast track procurement.  Call off from LTAs.  Decentralized procurement.	All Project Managers/Allotment Holders at HQ or at field offices (e.g. URs) with delegated procurement authorization	Except for call offs from LTAs, up to €40,000 per contractor, per single requirement or series of inter-related requirements, per project, per Project Manager/Allotment Holder within any calendar year.

### 3.2.1 Procurement Officials/Authorized Officials

In respect of centralized procurement, the Authorized Officials are the Director, Operational Support Services Branch, the Chief, Contracts Officers, Procurement Officers and Assistants in Procurement Services (hereinafter referred to as "Procurement Officials").

In the case of decentralized procurement, Authorized Officials are normally Project Managers/Allotment Holders to whom procurement authority is delegated on an individual, personal, and non-transferable basis by the MD/PSM in accordance with Director-Generals Administrative Instruction No. 6 "New Financial Authorization System" dated 13 May 1998 (paragraphs 31 & 44).

### 3.2.2 Effective Date of Delegation of Procurement Authority

The authority to perform decentralized procurement enters into effect on the date in which the person, to whom the delegation has been issued, countersigns the relevant delegation of authority memorandum issued by the MD/PSM.

To view the standard form 'Delegation of Authority' please [click here](#).

### 3.3 Responsibility of the Procurement Official/Authorized Official

The Procurement Official/Authorized Official shall carry out his/her duties and responsibilities with utmost care, efficiency, impartiality and integrity. Before entering into a commitment on behalf of the Organization, he/she shall ensure:

- 1) Adherence to UNIDO's Financial Regulations and Rules and this Manual;
- 2) Availability of funds for the commitment;
- 3) Based on the information available at the time and documented in the procurement file, that the intended procurement transaction is in the best interest of UNIDO;
- 4) All procurement activities are properly documented and reported as per the reporting requirements established to monitor the use of the delegation of authority.

### 3.4 Accountability

Procurement Officials/Authorized Officials having delegated procurement authority must be particularly careful to ensure that all actions undertaken by themselves or persons under their supervision are in compliance with the UNIDO Constitution, its Financial Regulations and Rules, Staff Regulations and Rules, Code of Ethical Conduct, directives, administrative instructions and policies, including this Manual.

Staff are reminded of UNIDO's Financial Rule 101.1.2 which reads as follows: "*All UNIDO staff members are obliged to comply with the Financial Regulations and Rules and with administrative instructions issued in connection with those Regulations and Rules. Any staff member who contravenes the Financial Regulations or Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her action in accordance with Staff Rule 101.06*".

Staff Rule 101.06 reads as follows: "*Rule 101.06 — Financial Responsibility. Staff members may be required to reimburse the Organization either partially or in full for any financial loss suffered by the Organization as a result of their negligence or of their failure to observe any regulation, rule or administrative instruction, as determined by the Director-General.*"

### **3.5 Segregation of Duties/Four Eyes Principle**

To reduce the risk of error, waste or wrongful acts and the risk of not detecting such problems, no single individual or team controls shall control all key stages of a transaction. Duties and responsibilities shall be assigned systemically to a number of individuals to ensure that effective checks and balances are in place.

In UNIDO, authorities, responsibilities and duties are segregated where incompatible. Related duties shall be subject to regular review and monitoring. Discrepancies, deviations and exceptions are properly regulated in the Financial Regulations and Rules and the Staff Regulations and Rules. Clear segregation of duties is maintained between programme/project management, procurement and supply chain management, risk management, financial management and accounting as well as auditing and internal oversight.

Therefore, segregation of duties is an important basic principle of internal control and must be observed throughout the procurement process.

The different stages of the procurement process should be carried out, to the extent possible, by separate officials with the relevant competencies. As a minimum, two officials shall be involved in carrying out the procurement process. The functions are segregated among the officials belonging to the following functions:

- Procurement Services: For carrying out centralized procurement, including review of technical specifications, terms of reference, and scope of works, market research/surveys, sourcing/solicitation, commercial evaluation of offers, contract award, contract management;
- Substantive Office: For initiating procurement requests on the basis of well formulated technical specifications, terms of reference, scope of works, ensuring availability of funds, technical evaluation of offers; award recommendation; receipt of goods/services; supplier performance

evaluation. In respect of decentralized procurement, the segregation of roles occur between the Project Manager/Allotment Holder and his/her respective Line Manager. For Fast Track procurement, the segregation occurs between the Project Manager/Allotment Holder and Financial Services;

- Financial Services: For processing payments.

## 4 Electronic Procurement System

The electronic procurement system for managing procurement requirements is supported by the Supplier Relationship Management (SRM) and Material Management (MM) modules of the new UNIDO enterprise resource planning (ERP) system (SAP).

The electronic procurement system (hereinafter referred to as “SRM/MM” or, where the context so requires, the “SRM/MM portal” or the “SRM/MM functionality”) is designed to support all stages of the procurement process, to allow for online monitoring and controls as well as to generate procurement reports.

The following main business processes will be supported in the electronic procurement system:

- Procurement planning;
- Creation and approval of shopping carts (requisitions);
- Creation and approval of RFx events (e-tendering);
- Creation and approval of purchase orders/contracts;
- Creation and approval of Long Term Agreements (LTAs);
- Creation and approval of call-off orders against LTAs;
- Administration of purchase orders/contracts/LTAs;
- Procurement reporting and analytics.

Access to the SRM/MM portal shall only be granted to UNIDO staff and authorized individuals who have successfully completed the SRM/MM training.

The SRM/MM is maintained jointly by Information and Communications Management and Procurement Services. For helpdesk support please email [procurement@unido.org](mailto:procurement@unido.org).

## 5 Procurement Procedures

The following procurement procedures are available in UNIDO:

Procurement Procedure	Applicability	Limit of Intended Commitment	Procurement Official/Authorized Official
Fast Track Procurement	Low value procurements.  Automatic creation and approval of purchase order.	For a single requirement, up to €5,000 per contractor, per project/purpose, and per Project Manager/Allotment Holder.  For a series of inter-related requirements, up to €40,000 per contractor and per project/purpose and per Project Manager/Allotment Holder within any calendar year.	Authorized Official (Project Manager/Allotment Holder).
Decentralized Procurement	Medium value procurements.  Procurement carried out by UNIDO Project Managers/Allotment Holders at HQ and in Field Offices.	Up to €40,000 per contractor, per single requirement or series of inter-related requirements, per project/purpose, per Project Manager/Allotment Holder within any calendar year.	Authorized Official (Project Manager/Allotment Holder).
Centralized Procurement	High value or high risk procurements.  Procurement carried out by Procurement Official (Procurement Services).	All values.	Procurement Official.
LTAs	Irrespective of procurement value.  LTA concluded between UNIDO and one or several contractor(s) against which specific goods, works and services can be repetitively ordered by UNIDO at pre-agreed rates and terms.	All values.	Procurement Official (for setting up LTAs).  Project Manager/Allotment Holder for call-off orders from LTAs.
Restricted Procurement	Irrespective of procurement value.  Restricted competition.	Up to €40,000 per contractor, per single requirement or series of inter-related requirements, per project/purpose, per Project Manager/Allotment Holder within any calendar year.  All values.	For decentralized procurement: Director of Substantive Office.  For centralized

			procurement: Chief, Procurement Services
Exception to Competition (Waiver)	Irrespective of procurement value.	Up to €40,000 per contractor, per single requirement or series of inter-related requirements, per project/purpose, per Project Manager/Allotment Holder within any calendar year.  All values.	For decentralized procurement: Line Manager of Project Manager/Allotment Holder.  For centralized procurement: MD/PSM, or Chief, Procurement Services

## 5.1 Fast Track Procurement

Purpose: The fast track procurement procedure allows Project Managers/Allotment Holders with delegated procurement authority at HQ and Field Offices to manage low value procurement requirements whose intended commitments per single requirement does not exceed €5,000 per contractor, per project/purpose and per Project Manager/Allotment Holder, and for a series of inter-related requirements does not exceed €40,000 per contractor and per project/purpose and per Project Manager/Allotment Holder within any calendar year of the initial date of award.

When using the fast track procurement procedure, the following shall apply:

- In cases where there are no valid contracts (LTAs) available, every effort should be made to apply the fast track procurement procedure for all procurement requirements whose intended commitments are in accordance with the above paragraph. Notwithstanding the provisions of Financial Rule 109.2.3 (expenditures under €2,000 do not require the recording of an obligation (direct expenditure)), it is strongly recommended to also apply the fast track procurement procedure in such transactions.
- Processing the transaction via the SRM/MM portal will allow for the proper recording of all assets in the assets register.
- The Project Manager/Allotment Holder must ensure that at least one written quotation is received, confirming such quotation is in line with applicable market rates and prices and represents best value for money to the Organization. The quotation(s) must include relevant details in respect of the procurement requirement, including but not limited to price, quantity, delivery time etc. In case the details of the quotation were conveyed verbally (e.g. by phone or in person), this should be confirmed in writing, e.g. by email, and the Project Manager/Allotment Holder shall upload the details in the SRM/MM portal, stating the details of the quotation and confirming that he/she has obtained the best reasonable price/conditions in good faith.

The SRM/MM portal provides the following steps for fast track procurement:


**Shopping Cart:** Creation by project team members and approval by the Project Manager/Allotment Holder in SRM/MM. Upload of quotation(s) in shopping cart.



**Purchase Order:** Automatic creation, approval and issuance of the purchase order in SRM/MM.



**Goods/Services Receipt:** Creation by project team members and approval by the Project Manager/Allotment Holder in SRM/MM.

 For step-by-step guidance on fast track procurement in SRM/MM please [click here](#).

In case a purchasing card is used the prevailing procedures shall be followed<sup>5</sup>.

## 5.2 Decentralized Procurement

Purpose: The decentralized procurement procedure allows Project Managers/Allotment Holders with delegated procurement authority at HQ and Field Offices to manage medium value procurement requirements whose intended commitment(s) per single requirement or series of inter-related requirements does not exceed €40,000:

- per contractor;
- per project/purpose;
- per Project Manager/Allotment Holder; and
- within any calendar year of the initial date of award.

For all other cases Procurement Services will review and take further action accordingly.

All decentralized procurement transactions will be continuously monitored in order to consider possible areas for setting up LTAs.

The SRM/MM portal provides the following steps for decentralized procurement:

**Shopping Cart:** Creation by the project team members and approval by Project Manager/Allotment Holder<sup>6</sup>. In case of waivers, additional approval by the Line Manager of the Project Manager/Allotment Holder.

<sup>5</sup> At present, the functionality is not available but may be considered in future.



**RFx Event:** Creation of the Request for Quotation (RFQ) (in SRM/MM hereinafter referred to as the “RFx event” or the “RFx functionality”) by project team members based on standard RFx templates in SRM/MM and approval by the Project Manager/Allotment Holder<sup>7</sup>.



**Receipt and Evaluation of Quotations:** Through e-tendering (RFx) functionality.




**Purchase Order:** Creation by project team members and approval by the Project Manager/Allotment Holder and the Line Manager of the Project Manager/Allotment Holder<sup>8</sup>.



**Good/Services Receipt:** Creation by project team members and approval by the Project Manager/Allotment Holder<sup>6</sup>.

The Project Manager/Allotment Holder shall remain responsible for the relevant procurement transaction, by ensuring that all relevant data and records are entered and maintained in SRM/MM.

In exceptional cases, a Project Manager/Allotment Holder may authorize a particular UNDP Field Office to carry out a specific procurement transaction and contract on behalf of UNIDO. In SRM/MM, such relevant UNDP Field Office will be reflected as a contractor. Upon successful completion of the procurement transaction, UNDP will charge UNIDO a service fee at the agreed-upon rate established between UNDP and UNIDO.

 For step-by-step guidance on the decentralized procurement in SRM/MM please [click here](#).

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<sup>6</sup> In case of multi account assignments, approval of the shopping cart is made by the Project Manager/Allotment Holder, whose corresponding allotment is the largest, in case of equal allotments, the Project Manager/Allotment Holder of the first line item in the shopping cart.

<sup>7</sup> In case of multi account assignments, approval of the RFx event is made by the Project Manager/Allotment Holder, whose corresponding allotment is the largest, in case of equal allotments, the Project Manager/Allotment Holder of the first line item in the RFx event.

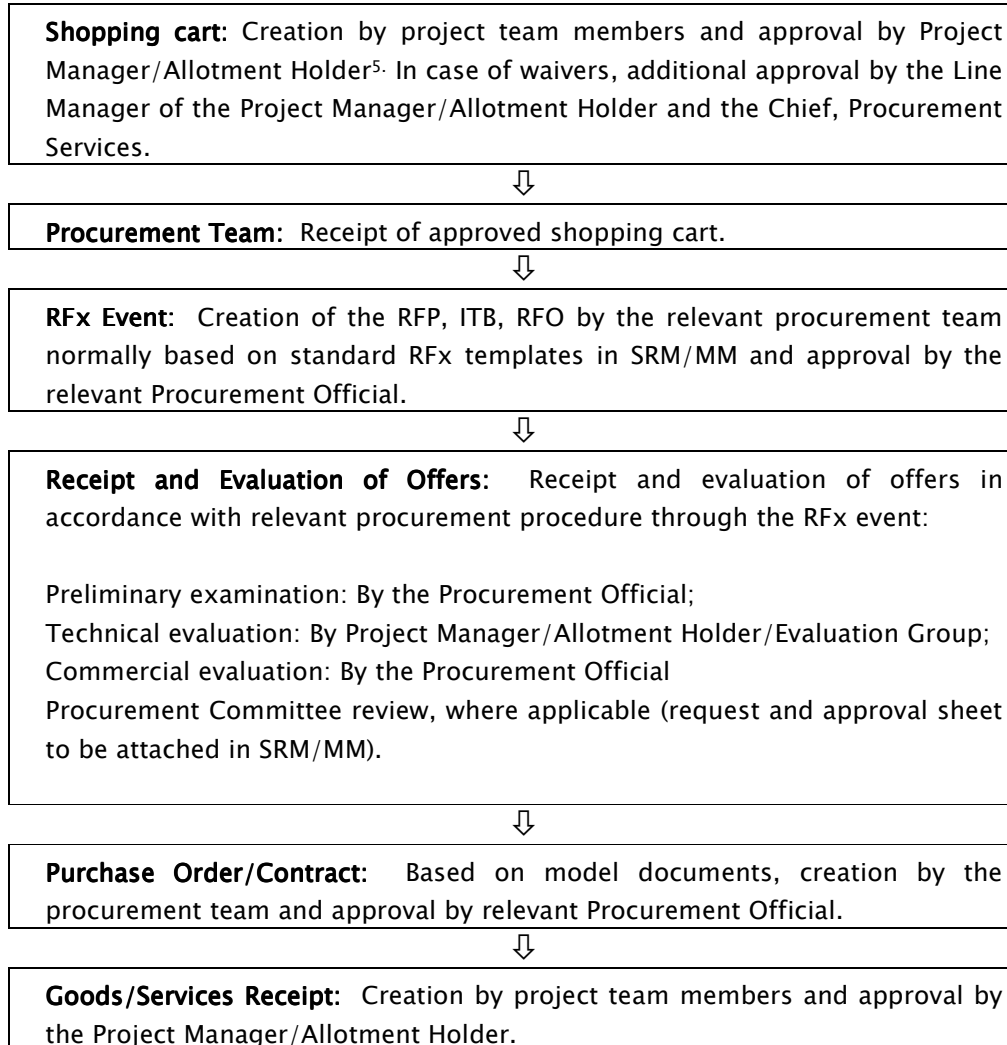
<sup>8</sup> In case of multi account assignments, approval of the PO is made by the Line Manager of the Project Manager/Allotment Holder, whose corresponding allotment is the largest, in case of equal allotments, the Line Manager of the Project Manager/Allotment Holder of the first line item in the PO.




### 5.3 Centralized Procurement

Under the direction and supervision of the Director, Operational Support Services Branch, Procurement Services is responsible for centralized procurement of goods/services/works for technical cooperation projects and for Headquarters requirements.

The SRM/MM portal provides the following steps for centralized procurement:



 For step-by-step guidance on centralized procurement in SRM/MM please [click here](#).

### 5.4 Long Term Agreements (LTAs)

Purpose: For goods and services that the Organization procures year after year, through repetitive bidding procedure, the intention is to enter into Long Term Agreements (LTAs) by which a contractual relationship shall be established

between UNIDO on the one part, and one or several contractor(s) on the other part, to ensure proper and uninterrupted supply. The advantage is to minimize lead times and to secure competitive prices and rates for goods and services, under terms and conditions that meet the best interest of UNIDO.


LTAs should be the *first option* to be considered by Project Managers/Allotment Holders during the requisitioning process.

The list of established LTAs can be accessed in the form of managed catalogues in SRM/MM.

When setting up a LTA, the following shall apply:

- Procurement Services is responsible for setting up of LTAs (global, regional or national ones), in general by means of open competition.
- The possible need for a LTA may be already identified during the procurement planning stage.
- Normally LTAs are established for goods/services/work at defined terms (e.g. prices, delivery, procedure of ordering etc.) which are, or will be, frequently requisitioned.
- LTAs may also be set up in cases where technical standards have been approved for specific products or services. LTAs also enable UNIDO to fully leverage its market position taking advantage of its size, procurement volume and geographical presence in order to obtain best value for money.
- If a repetitive need for requisitioning a particular good or service is expected, Procurement Services may consider to set up a LTA or use a suitable LTA established by another UN entity. LTAs can also be set up at the request of substantive branches/field offices which identify a repetitive need for specific goods or services.
- LTAs are normally negotiated and concluded, on a non-exclusive basis, for a period of up to 3 year(s), with the possibility of further extension of up to two years.
- LTAs normally do not require or commit UNIDO to purchase any minimum level or amount of a good or service;
- Potential LTAs (i) with a cumulative intended commitment above €200,000 over their tendered aggregate duration or (ii) whose tendered aggregate duration exceeds the period of five years shall be submitted to the Procurement Committee for its review.
- Procurement Services may opt to conclude several LTAs with different contractors for equivalent products and/or services in order to ensure a broader range of supply options, timely availability, etc.
- Once a LTA has been approved and set up by Procurement Services, individual orders (i.e. call-off orders) can be placed against the LTA at predefined terms and conditions without further competitive bidding. No threshold is applied for ordering from LTAs. The applicable procurement procedure to be chosen when creating the shopping cart in the SRM/MM portal is LTA call-off.

- Although the use of LTAs by Project Manager(s)/Allotment Holder(s) is not mandatory, they should be considered the first option. In case, the Project Manager/Allotment Holder opts not to use the LTA, he/she shall provide justifications therefore.
- The specific terms and conditions of each LTA may vary. Project Manager(s)/Allotment Holder(s) shall make themselves aware of the detailed terms and conditions prior to ordering any good or service from LTAs.
- Further, a LTA is useful for providing immediate stock availability, for instance during accelerated project implementation requirements.
- In case where freight services are required, a separate order shall be issued under the existing LTA for freight forwarding services.

 For guidance on how to set up and manage LTAs in SRM/MM please [click here](#).

In order to create and approve a call off order for the provision of goods/services from existing LTAs, the steps are as follows:


**Shopping Cart:** Creation by project team members and approval by the Project Manager/Allotment Holder.



**Purchase Order:** Creation by project team members and approval by the Project Manager/Allotment Holder<sup>6</sup> and the Line Manager of the Project Manager/Allotment Holder.



**Goods/Services Receipt:** Creation by the project team members and approval by the Project Manager/Allotment Holder.

 For step-by-step guidance on how to create and approve a call off order for the provision of goods/services/works under an existing LTA in SRM/MM please [click here](#).

## 6 Ethics / Confidentiality

The funds used by UNIDO are entrusted to the Organization by its member states and other parties. The transactions committing UNIDO shall be conducted at impeccable standards in order to ensure the highest degree of public trust. Hence, it is absolutely essential that all procurement activities be carried out in a manner above reproach, with complete impartiality and with no preferential treatment.

All UNIDO Procurement Officials/Authorized Officials and other staff involved in the procurement process on behalf of the Organization are responsible to protect the integrity of the procurement process, the need to

be able to account for their purchasing decisions and demonstrate that proper ethical standards have been observed.

The obligation to maintain the confidentiality and transparency of the procurement process does not cease upon separation of staff from the Organization.

In order to ensure fulfilment of the requirements concerning procurement ethics and responsibility, each participant of the procurement process (Procurement Officials, Authorized Officials, Project Managers/Allotment Holders, staff in the UNIDO field offices and any other officials involved in the procurement process) must confirm adherence to the “Declaration of Compliance with UNIDO Procurement Ethics and Professional Responsibility Standards” please [click here](#) and strictly follow the Organization’s Financial Regulations and Rules, Staff Regulations and Rules, directives, administrative instructions, and/or other policies.

Furthermore UNIDO has adopted a policy on financial disclosure and declaration of interest. For the current policy documents please refer to:

- Code of ethical conduct (UNIDO/DGB/(M).115 ,1 March 2010) [click here](#)
- UNIDO Policy for Financial Disclosure and Declaration of Interests, (UNIDO/DGB/(M).118, 4 May 2010 ) [click here](#)

## 6.1 Ethics in Dealing with Bidders/Contractors

UNIDO’s procurement process must allow bidders to compete for UNIDO business on a fair basis. Therefore, staff associated with the procurement function is responsible for protecting the integrity of the procurement process and maintaining fairness in the treatment of all bidders.

The standard of conduct for all UNIDO staff involved in the procurement process includes, but is not limited to, the following:

- (i) During the pre-bidding stage, UNIDO staff shall not allow any company or organization access to information on a particular acquisition before such information is available to the business community at large;
- (ii) Furthermore, staff shall not intentionally use unnecessarily restrictive or "tailored" technical specifications or terms of reference that could discourage competition;
- (iii) UNIDO staff shall not solicit or accept, directly or indirectly, any financial benefit, gratuity, gift, favour, entertainment or any promise of future employment from anyone who has or is seeking to obtain UNIDO business;
- (iv) UNIDO staff shall not have a personal, family or financial interest in any bidders responding to a UNIDO solicitation, and are prohibited from any involvement in the procurement action if they do;

- (v) UNIDO staff shall not disclose, directly or indirectly, proprietary and source selection information to any person other than a person authorized to receive such information.

The actions of UNIDO staff in the procurement process shall be transparent so that it can be verified that these standards have been upheld.

During the bidding process, contacts with bidders, potential and otherwise, shall be dealt with in the following manner:

- Prior to the deadline for the receipt of offers, no communication shall take place between the recipients of the bidding documents and UNIDO, except with the Procurement Official/Authorized Official designated as the UNIDO sole point of contact.
- Absolute impartiality shall be maintained with all potential bidders throughout the bidding and selection process. The same information concerning the bidding documents shall be made available to all potential bidders.
- All potential bidders who have confirmed their intention to participate in the bidding process shall receive the same information, and to the extent possible, simultaneously, to avoid the appearance of partiality, and to prevent the perception that other parties have received information that can offer them an advantage in winning UNIDO contract awards.
- Any significant change of information related to the bidding process prior to the deadline for the receipt of offers shall be appended in the form of an amendment to the bidding documents and shall constitute a part of the bidding process.

Any procurement personnel maintaining a conflict of interest or potential conflict of interest should immediately notify his/her supervisor.

## **6.2 Ethical Behaviour of Bidders**

Bidders shall at all times adhere to the highest ethical standards and confidentiality provisions specified in Article 6.3.

For the purpose of this Manual, the following definitions shall apply:

- a) "corrupt practice" means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;

- b) “fraudulent practice” means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- c) “coercive practice” means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
- d) “collusive practice” means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party; and
- e) “obstructive practice” means (i) deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, and (ii) acts intended to materially impede the exercise of inspection and audit rights.

If bidders behave unethically and/or are involved in bribery, corrupt, fraudulent, collusive, coercive or similar practices, UNIDO may reject their offers and/or cancel or terminate purchase orders/contracts. Any such action in respect of a bidder shall be well documented and approved by the Director, Operational Support Services Branch following consultation with the Chairperson of the Procurement Committee, the Ethics Office and the Office of Legal Affairs.

### **6.3 Confidentiality**

The handling of offers as well as their content shall be treated in a confidential manner throughout the whole procurement process.

It is understood that any procurement exercise is confidential and proprietary to UNIDO, contains privileged information, part of which may be copyrighted, and is received by bidders on the condition that no part thereof or any information concerning it may be copied, exhibited, or furnished to others without the prior written consent of UNIDO as determined by the relevant Procurement Official/Authorized Official. This condition may be exempted to the extent that the bidder may exhibit part or parts of the bidding documents to potential sub-contractors for the sole purpose of obtaining offers from them. Notwithstanding any other provisions in UNIDO’s bidding documents, bidders will be bound by the terms and conditions of the bidding documents whether or not their company or organization submits an offer or responds in any other way to a procurement notice.

Information relating to the examination, evaluation, and comparison of offers and the recommendation of contract award shall not be disclosed to bidders or any other persons not officially concerned with such process.

Any effort by a bidder to influence UNIDO in the examination, evaluation and comparison of the offers or contract award decisions may result in the rejection of his offer.

From the time the offers are opened to the time the contract is awarded, if any bidder wishes to contact UNIDO on any matter related to his bid, he should do so in writing to the relevant Procurement Official/Authorized Official.

## 7 Procurement Planning

Procurement Planning is considered an important tool for managing UNIDO's procurement needs in an effective and timely manner.


The UNIDO project planning process has two dimensions:

- Financial project planning that follows the costs allocated to each project structure;
- Strategic planning used to provide the information related to the type of procurement needed during the project implementation.

The UNIDO procurement plan is a forecast based on the estimated procurement requirements provided by the Project Managers/Allotment Holders. The data provided by the Project Manager/Allotment Holder shall be reviewed by Procurement Services and regular reports generated for publication on UNIDO's external web-site as deemed required. It shall normally cover the period of the calendar year i.e. from 1 January to 31 December.

To the extent possible, the Project Manager/Allotment Holder shall provide the following information for preparation of the procurement plan:

- Description of goods/services/works and relevant UNSPSC (United Nations Standard Product and Services Code);
- Estimated quantity and amount;
- Source of funding;
- Estimated delivery date or performance period;
- Anticipated procurement method to meet the requirement, in particular in regard to planned waivers of competition.

 For a step by step guide please [click here](#).

In his/her planning, the Project Manager/Allotment Holder shall in coordination with the Procurement Official consider the time required for the preparation of bidding documents, the bidding process, the evaluation of offers, review by the Procurement Committee and, where relevant, negotiation and preparation of the purchase order/contract.

The procurement plan may be used by Procurement Services to:

- Smoothen out peak periods during which a large number of procurement transactions are foreseen;
- Assist in planning and distribution of the workload within the Unit;
- Generate statistics identifying the frequency of certain procurement requirements and thus supporting the decision to set up LTAs etc.;
- Publish the forthcoming procurement requirements (on an aggregated level) on the UNIDO procurement website to inform potential bidders prior to issuing the actual bidding documents; and
- Initiate other pro-active procurement actions as deemed required.

## **8 Requisitioning/Creation and Approval of Shopping Carts**

Following the process of in depth needs assessment (which may include market research/surveys etc.), the member of the project team (in SRM/MM, the project purchaser) initiates the procurement process through requisitioning of goods/services/work.

Requisitioning includes creating and approving a shopping cart through entering relevant data, i.e. technical specifications/terms of reference/statement of works as well as qualification requirements, evaluation criteria and other relevant documents and information.

In order to be approved, the shopping cart shall normally contain the following information:

- Project information, i.e. WBS element, cost center code, grant, fund (for RB and TC projects);
- Name(s) of the Project Manager/Allotment Holder;
- Brief description of the required goods, services or works and their associated UNSPSC;
- Amount of funds available for the purchase order/contract;
- Complete name, address and contact details of the consignee/project recipient(s).




With the exception of fast track procurement, items of a similar nature which fulfil a similar procurement requirement, i.e. which are intended to be sourced from a single contractor, shall be grouped in one shopping cart.

The shopping cart shall then be approved by the Project Manager/Allotment Holder. In case of waivers, additional approvals are required by the Line Manager to the Project Manager/Allotment Holder, and, in case of centralized procurement, by the Chief, Procurement Services. SRM/MM executes a funds availability check during the approval work flow.

In respect of centralized procurement, upon assignment of the shopping cart to the relevant procurement team, the technical specifications/terms of reference/statement of works including the proposed qualification requirements and evaluation criteria are screened by the responsible Procurement Official for their completeness and consistency with the requirements stated above. If as a result of this review it is established by the Procurement Official that the technical specifications/terms of reference/statement of works are not in accordance with the requirements in the Manual, the Project Manager/Allotment Holder shall be requested by the Procurement Official to make modifications/changes to the relevant document. Modifications/changes shall be made without delay and modified documents re-submitted to the Procurement Official for further processing.

Any modifications/changes to the technical specifications/terms of reference/statement of works after the deadline for the receipt of offers are not permissible. Therefore, particular attention shall be paid to the completeness and clarity of the requirements at the preparation stage.

 For detailed information on how to create and approve shopping carts in SRM/MM please [click here](#).

## **8.1 Definition of Requirements**

The Project Manager/Allotment Holder is responsible for defining, in consultation with the Procurement Official, the requirements of a procurement action. The four-eyes principle is then ensured by the Procurement Official who shall evaluate the requirements received, that they meet the purpose and objective of the procurement requirement, and identify any issues which appear not to comply with the provisions of the Financial Regulations and Rules and this Manual e.g. use of brand names without justification, unrealistic delivery dates, over/under specification, requirements or evaluation criteria that are not essential, objective or measurable, etc.

Every effort should be made by the Project Manager/Allotment Holder to ensure through the early involvement of Procurement Services during the project

design/formulation stages that procurement relevant aspects are properly considered.

It is not permissible to split a procurement requirement containing the same or a series of related items into several smaller transactions for the sole purpose of avoiding the application of a formal procurement procedure. If split orders (awarding purchase orders/contracts for parts of the items to more than one contractor) are foreseen, UNIDO's right to split the purchase order/contract between several contractors shall be specified in the bidding documents. When determining whether to split the purchase order/contract, possible savings from procuring items at a lower price must be compared with the transaction cost to UNIDO of placing several purchase orders/contracts as well as with related supply chain, logistical and warranty issues.

For the fast track procurement procedure, the above provisions shall not apply, i.e. one shopping cart may contain procurement requirements on separate line items which could be sourced from different contractors (e.g. conference events including catering, logistics, hotel accommodation, etc.).

## **8.2 Types of Specifications**

The following documents may be used to specify requirements:

- 1) Technical Specifications;
- 2) Terms of Reference (TOR);
- 3) Statement of Work (SOW)/Bill of Quantities (BOQ);
- 4) Other relevant documents.

The specifications form part of the bidding documents.

For complex service or works requirements, the Project Manager/Allotment Holder may wish to retain the services of a consultant who can assist in the drafting of technical specifications, terms of reference, or statement of works and related designs/drawings.

In general, technical specifications/terms of reference/statement of works shall:

- Clearly, concisely and logically describe the functions and performance etc. of a requirement;
- Be generic and neutral and not include brand names;
- Not over specify the requirement (e.g. include unnecessary features) as this may lead to an increase of the offered prices and/or to a decrease in the number of offers received;
- Not under specify the requirement as this may lead to offers which do not meet the requirements.

🔗 For detailed information on how to write technical specifications/terms of reference/statement of works please refer to the document 'Preparation of technical specifications/terms of reference/statement of works'. To view the document please [click here](#)

🔗 Furthermore templates of technical specifications/terms of reference/statement of work for frequently used goods/services/work are available in the PRS library. To view these documents, please [click here](#).

### **8.2.1 Technical Specifications**

Technical specifications are mainly used for the procurement of goods (equipment, products, instruments, materials, supplies, etc.) and of works (construction, rehabilitation and renovation of buildings, pre-installation work, construction works, etc.).

Technical specifications shall be neutral, clear and technical and/or performance oriented. They must completely and fully describe the requirements.

References to brand names must be avoided. In the event that this is not possible, the words "or equivalent" shall be included in the bidding documents. The Project Manager/Allotment Holder should state in writing that the particular brand is essential to UNIDO project requirements and invite bidders to demonstrate that in the event products and services of a different brand are offered that these meet the functional/performance related technical specifications.

In general, technical specifications should be formulated by taking the following characteristics into account:

- (i) Functional characteristics, i.e. to define how the required product should function;
- (ii) Performance characteristics, i.e. to define what performance levels are required from the product (e.g. reference to product standard, MOSS requirements, ISO and similar standards, guarantees etc.);
- (iii) Sufficiently detailed technical description, i.e. to describe the physical characteristics and dimensions of the required goods (e.g. design, dimensions, materials, characteristics etc).

### **8.2.2 Terms of Reference (TOR)**

Terms of reference are used for contracting technical, consultancy and other services, packages of services and equipment, where services play a defining role, semi-turnkey and turnkey operations, etc. Terms of reference should be sufficiently clear and precise to describe the scope and nature of the required services.

Terms of reference should include information including but not limited to:

- Objective, background, and expected overall impact of the required services;
- Enumeration of all tasks and activities required to be performed by the contractor;
- By task/activity level, description of required deliverables and outputs;
- Reporting and payment schedules;
- Minimum qualification requirements of contractor's personnel;
- Minimum performance standards;
- Any other requirements and criteria as may be appropriate for a particular procurement case (for example, MOSS requirements).

### **8.2.3 Statement of Works (SOW)**

Statement of works are generally used for construction works. In general, statement of works should provide all information required to allow the contractor to undertake the works (e.g. location, MOSS requirements, time schedules for the execution of the works, relevant information about the construction site and other technical requirements which are deemed necessary).

Statements of works are generally accompanied by a bill of quantities (BOQ) which lists all main inputs for a works project (equipment, supplies, auxiliary services etc.). The bill of quantities shall include in tabular form the estimated quantities for each respective input item (e.g. soil movements/excavations, structures, floors, roofing, sanitation etc.). The statement of works also contain details on payment and invoicing terms (e.g. per unit or lump sum prices).

## **8.3 Qualification Requirements and Evaluation Criteria**

The provisions in this Article normally apply to centralized procurement only. Project Managers/Allotment Holders may wish to consider the below requirements and criteria also in decentralized procurement cases.

The Project Manager/Allotment Holder, in consultation with the Procurement Official, shall formulate in light of the required procurement all relevant technical qualification requirements and technical evaluation criteria, which will be used for the technical evaluation of the offers. Where relevant for a specific procurement requirement, the Project Manager/Allotment Holder shall also indicate mandatory technical requirements and criteria, below which offers shall be deemed technically not acceptable and therefore rejected.

The Procurement Official in cooperation with the Project Manager/Allotment Holder shall formulate the administrative and commercial qualification requirements and commercial evaluation criteria. Where relevant for a specific procurement, the Procurement Official shall also indicate the mandatory

commercial requirements and criteria, below which offers shall be deemed commercially not acceptable and therefore rejected.

In the event that a rating system for evaluation is applied, the weight assigned to each technical evaluation criterion and the minimum technical score rendering the offer technically acceptable shall normally be established by the Project Manager/Allotment Holder or, where relevant, the Evaluation Group in consultation with the Procurement Official during preparation of the bidding documents, but in any case before the deadline for the receipt of offers. The weights of evaluation criteria must not be included in the bidding documents.

All technical and commercial qualification requirements and criteria, and their associated weights shall be directly relevant and proportionate to the particular procurement requirement and must be sufficiently reasonable in order not to unduly disqualify companies or organizations and to allow for open and fair competition.

Once published, it is strictly not permissible to introduce new requirements and/or criteria beyond those contained in the bidding documents, unless made in the form of an amendment to the bidding documents issued prior to the deadline for the receipt of bids.

The bidding documents shall clearly indicate any and all evaluation criteria which must be applied in the examination, comparison and evaluation of offers.

When preparing evaluation criteria for a procurement action, the following examples of evaluation criteria may be applied:

- Qualification requirements and criteria: To be used to check completeness of offers, e.g. signatures, company or organization registration and financial strength, related documentation, etc;
- Technical evaluation criteria: Are typically taken out of the technical specifications/terms of reference/statement of works etc. Depending on the nature of the goods/services/work to be procured their content may vary from a short description to long and detailed descriptions;
- Commercial evaluation criteria: Which price factors will be included in the price used for the commercial evaluation (e.g. delivery costs, operational cost, start-up costs, disposal costs, life cycle costs etc.). For services and works a template for breakdown of cost should be included in the bidding documents.

Examples of qualification requirements which are relevant for the majority of procurement cases are the following:

- Registration/incorporation;
- Licensing/authorization of operations (if and where applicable);
- Length of time in business (number of years);


- Previous experience with similar contracts;
- References;
- Internationally recognized quality standards for goods and /or services (if applicable, copies of certificates to be provided);
- Audited financial statements;
- Profitability: Profit margin ratio or return on assets ratio (e.g. normally in excess of 1%);
- Liquidity ratio: The ratio of current assets to current liabilities (e.g. normally greater than 1);
- Turnover: The average annual turnover for the past three years (or for whatever period of time the company or organization has been in business for if it has not yet reached three years) (e.g. normally 2 to 5 times the anticipated value of the purchase order/contract);
- Confirmation of no conflict of interest, i.e. none of the bidder's key personnel is associated – financial, family, employment wise – with concerned UNIDO officials, UNIDO experts/consultants recruited under the relevant project or with UNIDO's Counterpart;
- Confirmation that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the offer, have been given, received, or promised in connection with the selection process or in contract execution;
- Confirmation that the bidder is not debarred from business with the United Nations and other organizations;
- Confirmation that the bidder did not participate in the preparation of the concerned procurement notice or the bidding documents, including but not limited to the terms of reference, the scope of works, and the technical specifications, being subsequently used by UNIDO.

Examples of technical evaluation criteria are:

- Experience in similar filed and for same type of requirements;
- Expertise of company or organization;
- Proposed methodology, approach and implementation plan;
- Management structure;
- Available capacity and equipment;
- Availability of after sales services or agent in the country of delivery;
- Qualification and experience of proposed key personnel;
- Other issues as required.

Depending on the procurement method, evaluation criteria may be set up according to their:

- compliance or non-compliance against the requirements (for RFO, RFQ, ITB, RFP); or
- as weighted scoring (for RFP only).

 Templates of evaluation criteria (standard and specific ones) are available in the PRS library. To view the document, please [click here](#).

## 8.4 Sustainable Procurement

Recognizing sustainability in a procurement transaction is best obtained at the specification stage. Project Managers/Allotment Holders are advised to include eco-labels and social labels as part of the technical specifications and to specify sustainable production and process methods, as long as these do not materially impact upon fair and non-discriminatory competition.

Project Managers/Allotment Holders who wish to take sustainability issues into account when preparing procurement requirements and to apply them during the evaluation process are recommended to consider the following aspects:

- Sustainability related reference in the procurement notice which conveys the relevance of sustainability in the specific procurement transaction;
- Specific identification of environmental/sustainability conscious potential bidders which may be well positioned to fulfil the procurement requirements;
- Formulate qualification requirements with a view to bidders' demonstrating good sustainability records;
- Ensure bidders have the necessary sustainability-related qualifications and capacity, i.e. previous experience, environmental management systems, etc.;
- Specify and use quantifiable sustainability criteria together with other technical evaluation criteria;
- Allow the submission of alternative offers with sustainable options;
- Consider life-cycle-costs and recycling costs as part of the commercial evaluation;
- As part of the qualification requirements, perform background and reference checks for their record of social and environmental responsibility.

## 9 Sourcing

### 9.1 Market Research/Survey

Market research/surveys are used in the sourcing/requisitioning process, especially in cases where the procurement requirements are new to the Organization. Furthermore, market research/surveys may be carried out to determine if goods/services/works are available to meet UNIDO's needs or could be modified to meet its needs.

A market research/survey should lead to a clear understanding of the business practices and preferred commercial terms and conditions of the supply market and be used to facilitate the tailoring of a procurement strategy (including bidding documents, technical specifications/terms of reference/statement of works, qualification requirements and evaluation criteria and evaluation and selection methodology).

The amount of effort required for market research/surveys depends on the value/risk of the requirement. For medium value, standard procurement requirements research may be limited to searching existing rosters and reviewing previous contracts/purchase orders. For high value or high risk, complex procurement requirements, an extensive market analysis may be required.

Conducting a market research/survey is within the scope of the procurement function and may be carried out both under decentralized and centralized procurement. Notwithstanding the above, it is expected that the Project Manager/Allotment Holder carries out his/her own technical research of the relevant industry sector, and participates in professional discussions in various forums to keep abreast of technological and other developments within his/her area of expertise. It is advisable that Procurement Services is involved in this process.

Where applicable, before developing new technical specifications and soliciting new products which are not familiar to UNIDO, the Project Manager/Allotment Holder should request Procurement Services to perform a market survey/research. The market survey/research conducted by Procurement Services shall be based on generic and preferably performance-based descriptions of the procurement requirements to be fulfilled.

Once Procurement Services receives a request to undertake a market research/survey from a Project Manager/Allotment Holder, it shall evaluate the urgency, intended commitment, complexity and past experience in respect of the requirement.

To conduct a market survey/research, Procurement Services may:

- Contact knowledgeable individuals in the relevant sector/industry;
- Review the results of recent market research/surveys undertaken by UNIDO or other organizations to meet similar procurement requirements;
- Conduct internet searches/communications with the industry;
- Obtain source lists of similar items from other agencies, trade organizations or other sources;
- Review catalogues and other product literature;
- Issue Requests for Information (ROI) or Calls for Expression of Interest (Call for EOI) on the UNIDO, UNGM and/or other relevant external web sites.

The results of the market research/survey shall be documented in the procurement case file.

### **9.1.1 Request for Information (ROI)**

A Request for Information (ROI) can be used to request information on anything from technical developments, supply availability to price indications. The ROI



may be openly advertised, or sent to individual companies or organizations suggested by the Project Manager/Allotment Holder and/or identified by the Procurement Official.

All ROIs must be prepared by using the standard template which is available [click here](#).

### **9.1.2 Call for Expression of Interest (Call for EOI)**

An expression of interest (EOI) provides general information on the requirements for goods/services/works of a planned procurement transaction. Through the Call for EOI, companies or organizations are requested to express their interest before a prescribed deadline and, if deemed required, provide some information about their company or organization and the market in which they operate.

The assessment/results received from the Call for EOI may be used to:

- Test if there is a market for a certain procurement requirement for which an open procurement procedure is warranted; and/or
- Prepare a short list of companies or organizations to be invited to submit detailed offers as part of a formal procurement transaction.

All Calls for EOI shall be advertised on the UNIDO, United Nations Global Marketplace (UNGM) and similar web-sites.

All Calls for EOI must be prepared by using the standard template which is available [click here](#).

## **9.2 Supplier/Contractor Management**

### **9.2.1 Supplier/Contractor Roster**

In addition to the SRM/MM portal, UNIDO uses the UNGM as its roster for company or organization registration. The UNGM is a UN wide electronic portal for company or organization registration and publishing of procurement notices which is used by most UN agencies and organizations. Maintenance and system support is provided by the Secretariat of the UNGM.

It is strongly recommended that in respect of centralized procurement companies or organizations register on UNGM before being awarded a contract by UNIDO.


### **9.2.2 Identification of Potential Bidders**

It is the responsibility of the Procurement Official/Authorized Official to identify potential bidders. The identification of potential bidders shall be carried out in a

transparent and non-discriminatory manner in order to uphold the integrity and fairness of the procurement process.

The Procurement Official/Authorized Official may consider the following sources of information for identifying potential bidders:


- UNIDO's supplier master data in SRM/MM;
- Suggestions by the Project Manager/Allotment Holder;
- UNGM roster or supplier lists maintained by other UN or international agencies/organizations;
- Market research/surveys;
- Other information sources which, in the opinion of the Procurement Official/Authorized Official, may assist in identifying potential bidders and which are available to UNIDO (internet, supplier lists, compass, catalogues, chamber of commerce, directories or reference books, etc.).

 For guidance on how to create bidders please [click here](#).

### 9.2.3 Supplier Master Data in SRM/MM

The UNIDO supplier master data is stored in SRM/MM. The following creation and approval procedure is applied:

- 1) Creation of a new supplier: In case of decentralized procurement, the project team or, in case of centralized procurement, the Procurement Official enters the following mandatory data:
  - a) General data, name, address, etc;
  - b) Company or organization code data, reconciliation account, bank details, etc;
  - c) Purchasing data, partner roles, etc.
- 2) Any supporting documents (i.e. business registration certificate, authorizations, financial reports, ISO standards, etc.) can be uploaded to the supplier master data as required.
- 3) Activation of a new supplier: Following the creation of a supplier master data, Financial Services will unblock the relevant supplier master data, by verifying in particular that the bank account data reconciles with those stated in the supporting documents and other means of control (like IBAN checking, etc.).

 For guidance on how to create and approve suppliers please [click here](#).

Procurement Services, in collaboration with Financial Services, will periodically review the supplier master data (e.g. deletion of double entries, spelling mistakes etc.).

## 10 UNIDO Procurement Methods and Competition

The solicitation of offers through the various procurement methods (i.e. Request for Quotation, Invitation to Bid, Request for Proposal, etc.) in SRM/MM is done through the RFx functionality.


Prior to the selection of a procurement method, the Procurement Official, in consultation with the Project Manager/Allotment Holder, may identify the most suitable procurement procedure by determining whether the procurement requirement:

- First, can be met by placing a LTA call off order against an existing LTA;
- Second, can be met by carrying out an open competitive procurement method;
- Third, can be met by carrying out a restrictive procurement method;
- Last, can be met by direct procurement (waiver).

In case of open competition, the most suitable procurement method should be selected, depending on the complexity and nature of the procurement requirement.

Depending on the nature, complexity and intended aggregate value of the commitment, the contents of the bidding documents vary. In general, the structure of UNIDO's bidding documents is as follows:

- (i) Letter of invitation;
- (ii) Instructions to bidders;
- (iii) Qualification requirements and evaluation criteria;
- (iv) Technical specifications/terms of reference/statement of works;
- (v) Forms for preparation of the technical and financial offer;
- (vi) Model contract<sup>9</sup>.

 Templates of model bidding documents are maintained by Procurement Services and are available in the SRM/MM portal as well as in the PRS library. To view the documents please [click here](#).

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<sup>9</sup> Including as annex documents the UNIDO General Conditions of Contract, and, where necessary, the form of the performance security, etc.

## 10.1 Procurement Methods

For solicitation of offers, the Procurement Official or the Project Manager/Allotment Holder may use, depending on the intended commitment of the procurement transaction, informal and formal procurement methods.

### 10.1.1 Overview

The below table provides an overview of UNIDO's procurement methods, their characteristics and thresholds:

Procurement Method	Procurement Requirement		Threshold
Request for Quotation (RFQ)	clear and specific	INFORMAL	Not to exceed €40,000
Invitation to Bid (ITB)	Goods, services, works with standard or firm specifications which can be expressed qualitatively and quantitatively	FORMAL	All values
Request for Proposal (RFP)	Goods, services, works, with requirements that cannot be expressed quantitatively and qualitatively		
Long Term Agreement (LTA)	Goods, services, works at pre-agreed terms and conditions with specific contractor(s)		

### 10.1.2 Request for Quotation (RFQ)

The RFQ is an informal procurement method to be applied for low and medium value procurement requirements. RFQs shall normally be used where a single shopping cart involves an intended commitment not exceeding €40,000.

The SRM/MM RFX functionality shall normally be used to despatch RFQs. Bidders shall respond and accordingly submit their quotations to the RFX event in SRM/MM.

In exceptional cases of no access to SRM/MM, bidders may wish to submit their quotations in writing, making reference to the RFX event (surrogate bidding).

Where possible, a minimum of three companies or organizations shall be directly invited to a RFX event. For RFQs issued in SRM/MM, the relevant procurement notice will be uploaded at [www.unido.org/procurement](http://www.unido.org/procurement).

### 10.1.3 Invitation to Bid (ITB)

Invitation to Bid (ITB) is a formal procurement method normally used where a single shopping cart involves an intended commitment above €40,000.

The ITB should be used as procurement method for the procurement of goods or works of standard and/or objectively measurable quantitative and qualitative specifications (i.e. clearly defined or continuously used deliverables).

The SRM/MM RFX functionality shall normally be used to despatch ITBs. Bidders shall respond and accordingly submit their bids to the RFX event in SRM/MM.

In exceptional cases of no access to SRM/MM, bidders may wish to submit their bids in writing, making reference to the RFX event (surrogate bidding).

For ITBs issued in SRM/MM, the relevant procurement notice will be uploaded at [www.unido.org/procurement](http://www.unido.org/procurement).

#### **10.1.4 Request for Proposal (RFP)**

Request for Proposal (RFP) is a formal procurement method normally used where a single shopping cart involves an intended commitment above €40,000.

The RFP should be used as procurement method for the procurement of services or works and related goods where the deliverables cannot be quantitatively or qualitatively expressed in sufficient detail to allow use of another procurement method (e.g. for professional services, combination of complex technical services and equipment, etc.).

The SRM/MM RFX functionality shall normally be used to despatch RFPs. Bidders shall respond and accordingly submit their proposals to the RFX event in SRM/MM.

In exceptional cases of no access to SRM/MM, bidders may wish to submit their proposals in writing, making reference to the RFX event (surrogate bidding).

For RFPs issued in SRM/MM, the relevant procurement notice will be uploaded at [www.unido.org/procurement](http://www.unido.org/procurement).

#### **10.1.5 Request for Offer (RFO)**

Request for Offer (RFO) shall be used in cases where exception to competition is being considered.


### **10.2 Selecting the Type of Competition**


Competitive offers shall be obtained using the following types of competition:

### 10.2.1 Open International Competition

Open international competition is the default type of competition. For all open international competition using the SRM/MM portal, a procurement notice will be automatically uploaded at [www.unido.org/procurement](http://www.unido.org/procurement). In respect of centralized procurement, the Procurement Official should ensure that, as a minimum, the notice is also uploaded on the UNGM website. Depending on the nature and subject matter of the procurement transaction, the notice may be uploaded on other websites as well. The procurement requirement may also be advertised in media/publications with a wide circulation.

Potential bidders may access the SRM/MM portal after receipt of login credentials from UNIDO.

 For information on how to publish a procurement notice on other websites than [www.unido.org/procurement](http://www.unido.org/procurement) please [click here](#).

 For information on how potential bidders get access to the SRM/MM portal please [click here](#).

### 10.2.2 Limited International/Local Competition

Limited competition shall be used when competition is limited by the donor(s) of funds to one or several countries, in accordance with Financial Rule 109.5.4 (b) (geographical limitation of competition). For such cases, the bidding documents shall indicate that only companies or organizations from particular country(ies) or from a particular region are eligible to submit offers.

Use of this method shall be approved, based on the request and justification of the Project Manager/Allotment Holder, as follows:

- For decentralized procurement: By the Director of the relevant Substantive Office, or, in the case of Heads of UNIDO Offices, the Director, PTC/BRP;
- For centralized procurement: By the Chief, Procurement Services.

The Procurement Official shall ensure a fair and equitable geographical distribution of potential bidders.

In order to ensure that local potential bidders are aware of the forthcoming procurement exercise, the tendering text of the RFx event which will be uploaded on [www.unido.org/procurement](http://www.unido.org/procurement) shall contain a provision of geographical limitation. The relevant procurement notice may also be sent directly to invitee companies or organizations identified by the Procurement Official, in consultation with the Project Manager/Allotment Holder.

In countries with limited access to the internet and electronic mail, the procurement requirement may also be advertised in local/regional media/publications with a wide circulation.

### 10.2.3 Restricted Competition

This type of competition is used where competition is restricted to a shortlist of qualified companies or organizations.

The possible reasons for applying this method include:

- Pre-qualification of companies or organizations following a Call for Expression of Interest exercise;
- Open competition for a similar procurement requirement was conducted in the same calendar year. Pursuant to this provision, the Procurement Official/Authorized Official may recommend re-use of the result of a previous open competitive bidding exercise if the exercise was conducted in the same calendar year, procuring substantively the same goods, works or services;
- Such open competitive bidding results may be used as an alternative to issuing a new bidding only if:
  - There has been no evidence of a substantive change in market conditions;
  - Substantively the same terms and conditions as the original offer are confirmed by the contractor;
  - The quantity of goods or the value of the works/services does not substantively exceed that one which the relevant offer was based on.

Use of this method shall be approved, based on the request and justification of the Project Manager/Allotment Holder, as follows:

- For decentralized procurement: By the Director of the relevant Substantive Office, or, in the case of Heads of UNIDO Offices, the Director, PTC/BRP;
- For centralized procurement: By the Chief, Procurement Services.

In case of approval of this type of competition, a shortlist of potential bidders representing a reasonable share of the market shall be prepared by the Procurement Official in cooperation with the Project Manager/Allotment Holder, in accordance with the above mentioned reasons.

### 10.3 Exceptions to Competition (Waiver)

As a general rule, the international open competitive procurement method shall be applied.

Waiver of competition is an exception from open procurement methods and should therefore be considered as a serious departure from a regular procurement process. Sound judgement and caution shall be exercised in applying any of the exceptions to open competition listed in Financial Rule 109.5.5. Strict review and approval processes described below have been established to ensure that the waiver process is not abused.

### 10.3.1 Approval of Waiver Requests

When nevertheless the Project Manager/Allotment Holder considers that a waiver of competitive bidding should be invoked for a particular procurement requirement, he/she shall prepare the request and submit it for approval in accordance with the following procedures:

- a) For procurement requirements under decentralized procurement: The Line Manager of the relevant Project Manager/Allotment Holder having satisfied him/herself (i) that the relevant request is complete, (ii) that the detailed justification(s) provided by the relevant Project Manager/Allotment Holder satisfy one or several of the below mentioned pre-conditions for invoking waivers, and (iii) that by invoking waiver, UNIDO's procurement principles are upheld.
- b) For procurement requirements under centralized procurement and whose intended commitment is below €200,000: Chief, Procurement Services subject to endorsement by the relevant procurement team confirming (i) that the relevant request is complete, (ii) that the detailed justification(s) provided by the relevant Project Manager/Allotment Holder satisfy one or several of the below mentioned pre-conditions for invoking waivers, and (iii) that by invoking waiver, UNIDO's procurement principles are upheld.
- c) For procurement requirements under centralized procurement under Financial Rules 109.5.5 (a) (i) to (vii) and whose intended commitment is equal to or above €200,000: MD/PSM, subject to recommendation by the Procurement Committee confirming (i) that the relevant request is complete, (ii) that the detailed justification(s) provided by the relevant Project Manager/Allotment Holder satisfy one or several of the above mentioned pre-conditions for invoking waivers, and (iii) that by invoking waiver, UNIDO's procurement principles are upheld.
- d) For procurement requirements under centralized procurement under Financial Rule 109.5.5 (a) (viii) and whose intended commitment is equal to or above €200,000: MD/PSM, subject to endorsement by the Director, Operational Support Services Branch and Chief, Procurement Services confirming (i) that the relevant request is complete, (ii) that the detailed justification(s) provided by the relevant Project Manager/Allotment Holder satisfy the above pre-condition for invoking waiver, and (iii) that by invoking waiver, UNIDO's procurement principles are upheld.



The above mentioned procedure does not preclude the MD/PSM from seeking advice of the Procurement Committee in cases where he/she considers this appropriate.

It is recommended that requests for waiver of competition are highlighted in the procurement plan.

### **10.3.2 Waiver Conditions**

Exceptions to open competition are listed in Financial Rule 109.5.5 (a) which stipulates that purchase orders/contracts may be awarded without competition when:

- The intended commitment of the procurement is below the monetary threshold of €5,000 for fast track procurement. Notwithstanding this monetary threshold, Project Managers/Allotment Holders are strongly encouraged to obtain more than one offer under fast track procurement;
- There is sufficient evidence that no competitive market exists for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation, or where the requirement involves a proprietary product or service;
- A standardization of supplies or equipment has been approved on the advice of the Procurement Committee, which renders competition impracticable;
- The proposed purchase order/contract relates to obtaining services that cannot be evaluated on the basis of objective criteria;
- The proposed purchase order/contract is the result of cooperation with the other organizations of the United Nations system;
- There is a genuine and documented exigency of the activity concerned that does not permit the time required for the issuance of invitations to bid or calls for proposals;
- The proposed purchase order/contract is for purchase or rental of real estate;
- MD/PSM specifically determines through a due process, established in pursuance of provisions of sub-paragraph (c) (i) of Financial Rule 109.5.2, that competitive solicitation shall not be applied. In such cases a written record shall be made providing appropriate reasons for such determination.

### **10.3.3 Guidance on Waivers**

The following general guidance must be taken into consideration for each of the listed exceptions:

- (i) The exception under Financial Rule 109.5.5 (a) (ii) applies for cases where no competitive market exists. The request shall be supported by appropriate documentation, e.g.

- the name of the regulatory/legislative body; and/or
- the law/decreed/order that controls or regulates the official rate(s)/fee(s) or price index(es).

A current rate/fee/price schedule shall be attached. In respect of proprietary goods or services, evidence confirming that only one manufacturer and source exists or that similar or generic items that fulfill the requirements are not available shall be submitted by the Project Manager/Allotment Holder.

- (ii) The exception for the need to standardize the requirement (Financial Rule 109.5.5 (a) (iii)) shall be used only when standardization limits the acquisition to only one product or service and such standardization has been recommended by the Procurement Committee and approved by the MD/PSM. If multiple suppliers can fulfill the standardized requirement, competition shall be sought on a 'no substitute' basis for the specified part number and brand. The request should provide plain, simple, direct information based upon facts so that a person without technical expertise can follow the rationale.
- (iii) The exception for acquisition of services that cannot be evaluated on the basis of objective criteria (Financial Rule 109.5.5 (a) (iv)) applies where the procurement requirement is such that the criteria for the evaluation of the competitiveness of proposals are difficult to establish. For example:
- legal services;
  - medical services;
  - research and development services related to scientific and technological activities;
  - production of artwork or film, etc.
- (iv) The exception for purchase orders/contracts resulting from cooperation with other organizations in the United Nations system (Financial Rule 109.5.5 (a) (v)) should be exercised provided that the regulations and rules of those organizations are consistent with those of UNIDO and shall apply in circumstances such as:
- UNIDO relies on the procurement decision of another UN organization and enters into a direct purchase order/contract with the successful contractor without undertaking a separate selection process. In this case, certain conditions shall be met, i.e. the requirements are substantially the same; the terms and conditions are substantially the same; the costs are favorable to UNIDO and the administrative costs of directly contracting with the contractor significantly outweigh the costs;
  - UNIDO may also cooperate with other organization(s) of the United Nations system to achieve economies of scale. In this case, the

organizations may elect to have one organization "lead" the procurement process (i.e. the "Lead Agency"), and the "Lead Agency" either signs the contract on behalf of all other organization(s); or all organizations sign the same contract; or other organization(s) issue purchase orders against the contract signed by the "Lead Agency" on an as and when required basis; or other organization(s) sign(s) a separate contract/purchase order with the contractor under terms and conditions consistent with the ones negotiated by the Lead Agency. In this case, the bidding documents containing the model contract document should reflect clauses to address lead agency concept.

- UNIDO requests another organization to conduct a procurement exercise on its behalf. This alternative shall be used only when UNIDO lacks the particular expertise and the other organization has a recognized expertise in procuring particular requirements that would add value to the process through savings in time and administrative cost, while maximizing economies of scale.
- (v) The exception for genuine and justified exigency<sup>10</sup> of the activity ((Financial Rule 109.5.5 (a) (vi)) applies when there exists a compelling and urgent need, not resulting from poor planning or poor management or from concerns over the availability of funds, that will lead to serious damage, loss or injury to property or persons, delays in the performance of the work/services, if not addressed immediately. Exigency is not an acceptable rationale in situations resulting from delay or omission of creating and approving shopping carts by the Substantive Branches.
- (vi) The exception for purchase or lease of real estate (Financial Rule 109.5.5 (a) (vii)) applies if similar property is not available in the immediate geographical vicinity of the requested property. The Procurement Official should, to the extent feasible and in collaboration with the Project Manager/Allotment Holder, seek the service of a qualified real estate broker or consultant to confirm that the proposed lease rate is commensurate with the market prices for equivalent leaseholds.
- (vii) The MD/PSM may authorize to carry out a procurement action without competition, provided that the MD/PSM specifically determines through a due process, where relevant supported by the advice of the Procurement Committee, that competition shall not be applied (Financial Rule 109.5.5 (a) (viii)). In such cases, a written record shall be made providing appropriate reasons for such determination.

This exception normally applies in cases when contractual arrangements can

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<sup>10</sup> A compelling and emergent need not resulting from poor planning or management or from concerns over the availability of funds that will lead to serious damage, loss or injury to property or persons, delays in the execution of the work or provision of services, if not addressed immediately.

be made with only one company or organization due to the project and/or programme execution modality agreed by UNIDO with relevant donor(s) and recipient Governments, thus pre-empting any competitive procurement procedure.

Typical examples of such cases are:

- Purchase orders/contracts with project beneficiaries/ counterparts/ recipients for the payment of cost compensation or reimbursement, in accordance with donor agreements;
- Purchase orders/contracts with project beneficiaries/ counterparts/ recipients for the payment of incremental operating costs and incremental capital costs, in accordance with donor agreements;
- Purchase orders/contracts with governmental organizations, agencies or entities for national execution of projects and programmes, in accordance with the provisions in relevant project documents;
- Purchase orders/contracts for enabling activities (non grants instruments, co-funding etc.) in accordance with the provisions in relevant project documents;
- Other purchase orders/contracts where one particular organization or company has been explicitly agreed by both the donor and the recipient Government to implement part or parts of the project.

In cases, where the request to invoke waiver in light of the particular project requirements are deemed “straightforward” by the relevant Procurement Official, the Request for Offer (RFO) may be obtained from the contractor under consideration prior to submitting the waiver request . Irrespective of whether the RFO is sent out before or after waiver approval, the request for offer shall be processed through the RFx functionality in the SRM/MM portal or alternatively by e-mail, fax or by mail.

 For step-by-step user guidance please [click here](#).

## 11 Procurement Process

### 11.1 Procurement Timelines

The procurement timelines in respect of the various procurement methods described below are average figures, which must be considered by Project Managers/Allotment Holders for planning purposes and for the preparation of procurement plans.

The actual procurement timelines may deviate from the average dependent on the actual time consumed for completing certain activities up to contract award, such as:

- (i) Review of technical specifications/terms of reference/statement of works;
- (ii) Preparation and publishing of RFX events;
- (iii) Submission of offers by bidders;
- (iv) Technical and commercial evaluation of offers;
- (v) Review by the Procurement Committee (when applicable);
- (vi) Negotiations (when relevant);
- (vii) Contract award;
- (viii) Issuance of contracts/purchase orders.

Taking the above into account, the following indicative procurement timelines should be considered by Project Managers/Allotment Holders:

- Request for Quotation (RFQ): up to 2 weeks
- Open International Competition: up to 10 weeks
- Restricted International Competition: up to 10 weeks
- Call-Off Purchase Order against LTA: up to 1 week
- Waiver (sole source): from 1 to 10 weeks

## 11.2 Preparation of Bidding Documents

The Procurement Official/Authorized Official shall prepare bidding documents through the RFX functionality in the SRM/MM portal.


Depending on the nature and value of the procurement requirement the content of the bidding documents vary. In respect of service requirements, the Procurement Official/Authorized Official may disclose the available budget foreseen for the procurement requirement.

The SRM/MM portal provides different templates, pre-formulated qualification requirements and evaluation criteria for different procurement requirements and methods.

Procurement Officials/Authorized Officials shall complete the respective templates to capture all relevant data and information on each specific procurement requirement. The RFX event may be amended to reflect additional requirements, prior to the deadline for receipt of offers.

If requirements are divided into lots in the bidding documents, it is imperative that the documents state whether the resulting purchase order(s)/contract(s) will be awarded on a per lot basis or by all lots.

Bidding documents shall normally be in the official working languages of UNIDO. The Procurement Official/Authorized Official may opt to prepare the bidding documents in a language different than the official working languages of UNIDO, if this best meets the relevant procurement requirements, with due regard to UNIDO procurement principles.

 For step-by-step guidance on how to generate bidding documents in the SRM [click here](#).

### 11.3 Approval and Issuance of Bidding Documents

Please refer to the step-by-step guide on how to approve bidding documents in SRM/MM [click here](#).

### 11.4 Requests for Clarification from Potential Bidders

Requests for clarification from potential bidders which may arise during the bidding process should be entertained only if they are in writing and addressed to the Procurement Official/Authorized Official responsible for the procurement. If the request is oral or addressed to a UNIDO staff member or an individual<sup>11</sup> other than the responsible Procurement Official/Authorized Official, he/she shall not engage in any further discussion other than advising the potential bidder to forward the question, in writing, to the responsible Procurement Official/Authorized Official.

The Procurement Official/Authorized Official must endeavour to respond to any request for clarification that UNIDO receives not later than the time period before the deadline for the receipt of offers which is prescribed in the bidding documents.

The Procurement Official/Authorized Official, in cooperation with the Project Manager/Allotment Holder, where applicable, shall respond in writing to the request. The responses, including an explanation of the request but without identifying the source of the query, shall be sent simultaneously to all potential bidders that acknowledged their intention to participate in the procurement.

### 11.5 Amendments to Bidding Documents

The bidding documents may be amended, on an exceptional basis, not later than the time period before the deadline for receipt of offers which is prescribed in the bidding documents, provided that they contain appropriate conditions to this effect. The amendment(s) shall refer to the original bidding documents, include the amendment number, and set forth in a clear and complete manner the exact

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<sup>11</sup> For example, the CTA, a UNIDO expert/consultant or a representative of the project beneficiary/counterpart.

changes made. All potential bidders that have received the bidding documents shall be notified simultaneously and in writing of any amendments. Any and all amendments made pursuant to the provisions of the RFX event will be binding on the bidders.

In cases when it becomes necessary to modify technical specifications/terms of reference/statement of works, the Project Manager/Allotment Holder shall submit the required modifications to the responsible Procurement Official, where applicable, with an explanation of the reasons for the proposed amendment. An amendment of the bidding documents may also be necessitated based on a request for clarification received from a potential bidder.

The Procurement Official/Authorized Official shall evaluate whether ample time remains for potential bidders to consider the amendment made to the bidding documents. If ample time is not available, the Procurement Official/Authorized Official shall extend the deadline to provide potential bidders sufficient time to take the amendment into consideration.


## **11.6 Receipt and Opening of Offers**

Bidders must submit their offers through the SRM/MM portal. In case a bidder cannot access the SRM/MM portal, offers may be received outside the platform (i.e. surrogate bid).

In all cases bidders must submit offers strictly in compliance with the bidding documents.

### **11.6.1 Receipt of Offers Through the SRM/MM Portal**

In the SRM/MM portal, submitted offers cannot be reviewed prior to the deadline for the receipt of offers.


 For a step-by-step guidance on the use of the receipt and evaluation of offers in the SRM/MM portal [click here](#).

### **11.6.2 Surrogate Bidding**

In respect of centralized procurement, offers received outside the SRM/MM portal shall be date stamped upon receipt and kept in a secure place. In cases where on an exceptional basis email submissions are accepted, a dedicated email account shall normally be set up and the concerned password for accessing the email account provided to the members of the panel on the opening date.

All offers shall be opened on the same day in the presence of three staff members. Excluding the concerned Procurement Official and the Project

Manager/Allotment Holder, a bid opening panel constituting of three members of staff shall open all offers.

 For a step-by-step guide on the opening procedures in respect of surrogate bidding [click here](#).

The opening protocol shall be prepared and signed by all members attending the opening session. The opening protocol shall indicate the date and time of opening, the name of the meeting participants and list all offers received [RFx event number, name and country of bidder, amount and currency (if applicable), remarks (if any) etc.].

Quotations received in response to a RFQ do not require an opening protocol and therefore do not need to be opened on the same day.

The opening protocol for offers received in two sealed envelopes (technical and commercial) shall be made in two stages as follows:

- (i) The technical offers shall be opened first and the relevant technical evaluation shall be carried out in accordance with the procedures described herein by the Project Manager/Allotment Holder or, where relevant, the Evaluation Group;
- (ii) Once the technical evaluation has been completed, the Procurement Official arranges for the opening of the commercial offers of those bidders whose technical offers were found to be substantially responsive and, where required, meeting the minimum technical score.

Following the receipt and opening of the offers, the relevant parts which have been opened shall be uploaded by the relevant PRS Team in the SRM/MM portal to enable online access thereto by the Project Manager/Allotment Holder. In the case of surrogate bids, the original sets of offers shall be kept on file.

### **11.6.3 Late Offers**

When an offer is received after the deadline for the receipt of offers indicated in the bidding documents, the actual date and time of receipt shall be indicated on the outer envelope of the offer.

Offers received after the above deadline should normally be rejected. In such a case, the Procurement Official/Authorized Official should enquire with the relevant bidder as to whether the offer should be returned unopened or destroyed.

However, if the offer in respect of centralized procurement is received in the interval between the deadline for receipt of offers and the opening date specified in the SRM/MM portal, the Chief, Procurement Services may, at his/her own



discretion accept the late offer and decide that it shall be opened with the other offers, provided the relevant bidder presents sufficient evidence that the offer was sent well in advance of the deadline specified in the bidding documents. The relevant Procurement Official shall document in writing the decision to accept a late offer.

#### **11.6.4 Alternative Offers**

Alternative offers shall be treated as provided for in the relevant bidding documents.

#### **11.6.5 Offers Opened Inadvertently Before the Deadline**

Any offers inadvertently opened before the deadline for receipt of offers shall be reported to the attention of the Chief, Procurement Services for further action and a record made thereof. The Chief, Procurement Services shall analyse the circumstances of each such case and initiate measures to avoid any repeat occurrence(s) of such situations.

#### **11.6.6 Unsolicited Offers**

In case of limited competition, unsolicited offers are received (i.e. offers from companies or organizations that have not been invited), these shall normally be rejected and returned, if so requested by the company or organization, and the Project Manager/Allotment Holder informed accordingly. In any event, a statement should be made for the procurement file.

### **11.7 Consultation with the Office of Legal Affairs**

When the Procurement Official/Authorized Official considers that a particular procurement will be especially complex or sensitive (e.g. because the procurement is of an especially high value or high risk; presents novel legal issues; or possesses a serious risk of damage to property or injury), the Procurement Official/Authorized Official, through the Chief, Procurement Services, should seek the guidance and advice from the Office of Legal Affairs. Such advice and guidance shall be sought at an early stage of the procurement process, in order to ensure that all legal issues implicated by the bidding documents and/or the enclosed model contract documents are addressed in a timely manner.

## 12 Evaluation

### 12.1 General Considerations

Evaluation is the process of assessing and comparing offers in accordance with the evaluation methodology stated in the bidding documents in order to determine which offer best complies with the defined evaluation criteria, and thus represents best value for money to UNIDO.

It is the joint responsibility of the Procurement Official/Authorized Official and the Project Manager/Allotment Holder, where applicable, to ensure that the offer meets all requirements and criteria. The Procurement Official/Authorized Official shall coordinate the evaluation process and provide necessary advice and guidance on the procedural issues related to the examination, comparison and evaluation of offers.

### 12.2 Evaluation Procedures

Procedurally, the evaluation of offers follows different routings depending on the value of the intended commitment of the procurement requirement. In UNIDO the following evaluation procedures are applicable:

<b>Values of Intended Commitments</b>	<b>Description of Evaluation Procedures</b>
up to €40,000 (threshold for decentralized procurement)	<ul style="list-style-type: none"> <li>• Offers received;</li> <li>• Authorized Official conducts the technical and commercial evaluation;</li> <li>• Authorized Official selects the technical acceptable lowest cost offer.</li> </ul>
up to €200,000 (threshold for Procurement Committee)	<ul style="list-style-type: none"> <li>• All offers are opened;</li> <li>• The Procurement Official conducts a preliminary examination of all offers;</li> <li>• The Project Manager/Allotment Holder prepares and approves the technical evaluation and submits it to the relevant Procurement Official;</li> <li>• Having ascertained that the technical evaluation is compliant with the relevant evaluation provisions in the bidding documents and this Manual, the Procurement Official prepares the commercial evaluation, certifies it and selects the best offer in line with the relevant selection criteria specified in the bidding documents.</li> </ul>
from €200,000 up to €1,000,000  (threshold for application of the two envelope system is €1,000,000)	<ul style="list-style-type: none"> <li>• All offers are opened;</li> <li>• The Procurement Official conducts a preliminary examination of all offers;</li> <li>• The Project Manager/Allotment Holder prepares and approves the technical evaluation and submits it to the relevant Procurement Official.</li> </ul>


	<ul style="list-style-type: none"> <li>• Having ascertained that the technical evaluation is compliant with the relevant evaluation provisions in the bidding documents and this Manual, the Procurement Official prepares the commercial evaluation and certifies it. He/she prepares a submission document to the MD/PSM containing an award recommendation based on the selection criteria specified in the bidding documents;</li> <li>• The MD/PSM, based on the advice of the Procurement Committee, considers and approves/rejects the award recommendation.</li> </ul>
<p>from €1,000,000 up to €3,000,000</p> <p>(threshold for possible group evaluation is €3,000,000)</p>	<ul style="list-style-type: none"> <li>• All technical offers are opened;</li> <li>• The Procurement Official conducts a preliminary examination of all offers;</li> <li>• The Project Manager/Allotment Holder prepares and approves the technical evaluation and submits it to the relevant Procurement Official.</li> <li>• Having ascertained that the technical evaluation is compliant with the relevant technical evaluation provisions in the bidding documents and this Manual, the Procurement Official arranges for the opening of the relevant commercial offers;</li> <li>• In consultation with the Project Manager/Allotment Holder, the Procurement Official prepares the commercial evaluation and certifies it. He/she prepares a submission document to the MD/PSM containing an award recommendation based on the selection criteria specified in the bidding documents;</li> <li>• The MD/PSM, based on the recommendation of the Procurement Committee, considers and approves/rejects the award.</li> </ul>
<p>from €1,500,000</p> <p>(possible group evaluation)</p>	<ul style="list-style-type: none"> <li>• An Evaluation Group may be established;</li> <li>• All technical offers are opened;</li> <li>• In consultation with the Evaluation Group, the Procurement Official conducts a preliminary examination of all offers;</li> <li>• The Evaluation Group prepares and approves the technical evaluation and submits it to the relevant Procurement Official;</li> <li>• Having ascertained that the technical evaluation is compliant with the relevant technical evaluation provisions in the bidding documents and this Manual, the Procurement Official arranges for the opening of the relevant commercial offers;</li> <li>• In consultation with the Evaluation Group, the Procurement Official prepares the commercial evaluation and certifies it. An evaluation report is prepared and signed by all members of the Evaluation Group;</li> <li>• The Procurement Official prepares a submission document, containing the evaluation report, to the</li> </ul>

	<p>MD/PSM containing an award recommendation based on the selection criteria specified in the bidding documents;</p> <ul style="list-style-type: none"> <li>• The MD/PSM, based on the recommendation of the Procurement Committee, considers and approves/rejects the award.</li> </ul>
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In general, evaluation decisions should be made by consensus by both the Project Manager/Allotment Holder and the Procurement Official.

In the unlikely event that consensus cannot be reached between the Project Manager/Allotment Holder and the Procurement Official, the dissent related to the contents and/or conclusions of the evaluation shall be forwarded to the Chief, Procurement Services for review and advice.

When an Evaluation Group has been set up for a particular procurement, the decisions and recommendations of the Evaluation Group should be made by consensus. In cases when consensus cannot be reached, the dissent between the members of Evaluation Group related to the contents and conclusions of the technical and commercial evaluations shall be forwarded to the Director, Operational Support Services for review and advice.

 Templates of recommended technical and commercial evaluation forms are available in the SRM/MM portal and the PRS library. To view the documents [click here](#).

### 12.3 Evaluation Process

When offers have been received and opened, the evaluation process must be conducted by strict adherence to the qualification requirements and evaluation criteria specified in the bidding documents. An essential feature of a fair and transparent procurement process is that the qualification requirements and evaluation criteria must under no circumstances be altered or changed during the evaluation process.

Normally, the evaluation process consists of the following sequential steps:

- Preliminary examination of offers;
- Technical evaluation of offers;
- Commercial evaluation of offers;
- Selection of bidder(s) and recommendation of award (with negotiations where applicable).

### 12.3.1 Preliminary Examination

In respect of centralized procurement, the evaluation process shall begin with a preliminary examination and administrative review of all offers received and opened. The Procurement Official, in cooperation with the concerned Project Manager/Allotment Holder, where applicable, will examine all offers to determine whether they are substantially responsive, i.e. conforming to all terms and conditions of the bidding documents without material deviations. A material deviation is one that:

- would affect the substantive scope, quality or performance of the goods, works or services required by UNIDO;
- would be substantially inconsistent with the bidding documents, UNIDO's rights or the bidder's obligations under the purchase order/contract;
- if rectified would unfairly affect the competitive position of other bidders who submitted substantially responsive offers;
- the offer is substantially incomplete (i.e. does not contain mandatory information as required in the bidding documents);
- commercial information is included in the technical offer when using a two-envelope procurement method.

The preliminary examination thus includes review of the following issues:

- compliance with the qualification requirements and mandatory criteria specified in the bidding documents;
- completeness of offers; and
- documents have been properly signed.

It is the responsibility of the Procurement Official to verify the availability and clarity of the information submitted. To this effect, the Procurement Official may contact the bidder to obtain clarifications/additional information required to assess the compliance.

The Procurement Official's determination of an offer's responsiveness is based on the contents of the offer itself with recourse to evidence from external sources.

An offer determined as not substantially responsive will not be considered any further in the evaluation process and must be rejected. Such an offer may not subsequently be made responsive by correction of the non-conformity.

The Procurement Official shall document the results of the preliminary examination in writing, with a tabulated format outlining the results. The results shall be forwarded along with copies of the submitted offers which have met the qualification requirements to the Project Manager/Allotment Holder or, where relevant, the Evaluation Group for technical evaluation.

The preliminary examination may also involve a background check of bidders (e.g. to conduct reference checks, to verify that the bidder is legally established, financially solvent, etc.).

In respect of decentralized procurement, the Authorized Official shall conduct the preliminary examination of offers commensurate with the amount and level of risk of the relevant procurement requirement.

### **12.3.2 Technical Evaluation**

The Project Manager/Allotment Holder is responsible for the evaluation of the technical and substantive aspects of the offers and preparation of the technical evaluation. The Procurement Official/Authorized Official shall provide necessary procedural and administrative guidance to the Project Manager/Allotment Holder, where applicable, concerning the technical evaluation without interfering in the technical and substantive aspects thereof.

In the case of centralized procurement, if the technical evaluation process and documentation does not meet required standards, the Procurement Official shall return the technical evaluation to the Project Manager/Allotment Holder/Evaluation group for review and revision and resubmission thereafter.

The technical evaluation shall normally include but not necessarily be limited to the following:

- (i) Analysis and comparison of offers, in a tabular form and on a line item basis, with all the requirements set out in the technical specifications, terms of reference or scope of works, indicating compliance or non-compliance.
- (ii) Concise comparative analyses and evaluation of the following parameters of the offers as may be applicable according to all the requirements of the technical specifications, terms of reference or scope of works:
  - Bidders' background, experience, quality control systems and past performance;
  - Bidders' organization and facilities for accomplishing the requirements;
  - Understanding of the technical requirements;
  - Concept of the optimum method of achieving the desired results including time schedule to accomplish the work;
  - Experience and qualifications of the proposed key staff;
  - Qualifications of the sub-contractors (as applicable);
  - Installation, assembly, commissioning, start-up (as applicable);
  - Warranties and guarantees;

- Training programme;
- Spare parts (quantity, and type).

(iii) A clear statement identifying the technical compliance and acceptability of the offer; in case the offer is not acceptable, specific reasons for determining that such offer is not acceptable.

For complex and high value or high risk procurement requirements, the technical evaluation may include the presentation of the technical offer by the bidder(s) if so specified in the bidding documents. In this regard, the following guiding principles should be taken into consideration:

- Presentations of technical offers should normally be held physically at a UNIDO office or, alternatively, set up by electronic means such as video conference, etc;
- Bidders shall be advised that the presentation is an integral part of the technical evaluation. Bidders are, therefore, strongly advised not to disclose information or submit documents of whatever nature containing price or commercial information;
- The presentation documents should be received by the Procurement Official for distribution to the Project Manager/Allotment Holder or, where relevant, to the Evaluation Group prior to the presentation. The presentation documents should mirror the structure of the corresponding technical offer and may address additional technical aspects which have been conveyed by the Procurement Official to the bidder in advance of the presentation. If permitted, the presentation may be followed by a question and answer session which together with the main presentation shall be documented accordingly;
- In general, information disclosed during the presentation shall be treated in a confidential manner and shall not be disclosed to staff or individuals who have not been involved in, or associated with, the particular procurement exercise.

If there are significant deviations in the offers received attributable to discrepancies, inconsistencies or ambiguities in the technical specifications, terms of reference or statement of works specified in the bidding documents, a new procurement exercise shall be conducted. In such a case, all offers received shall be rejected and the affected bidders informed accordingly.

In accordance with the term 'substantially responsive', only offers meeting or exceeding the requirements of the bidding documents shall be considered as acceptable. Minor deviations that do not affect the quality of an item or service shall not affect the acceptability of such an item or service, if the Procurement Official and the Project Manager/Allotment Holder or, where relevant, the Evaluation Group are satisfied that the minor deviations are non-material.

Any option or alternative which a bidder proposes in his offer, which were not provided for in the bidding documents, shall be carefully examined to ensure that such offer or alternative offer is in conformity with the terms and conditions of the bidding documents.

In general the technical evaluation of offers is carried out by the Project Manager/Allotment Holder. On occasion, he/she may engage external expert(s)/consultant(s) to support, or provide advice on, specific parts of the evaluation process. Both UNIDO staff and external experts/consultants involved in the examination and/or evaluation of offers must declare any real, potential or apparent conflict of interest. For that purpose, UNIDO staff and external experts/consultants involved in the evaluation process must fill in the Declaration of Potential Conflict of Interest form which can be found here.

### 12.3.3 Commercial Evaluation

After the technical evaluation of the offers is completed and in the case of a two-envelope system, the Procurement Official shall proceed with the opening of the commercial offers of those bids that were found to be substantially responsive and meeting the minimum technical score.

The Procurement Official is responsible for the evaluation of the commercial aspects of the offers with the involvement of the Project Manager/Allotment Holder as deemed necessary.

The commercial evaluation shall:

- determine that the commercial offers are complete (i.e. whether bidders have provided cost breakdown for all items of the corresponding technical offers; if not, such items will be priced and added to the overall cost), properly signed, arithmetically/computationally correct and that they include all pertinent costs for the requirements specified in the bidding documents.
- contain in a tabular form any or all of the following information;
  - Itemized quantity/ies and price(s);
  - Maintenance and disposal costs;
  - Costs of spare parts;
  - Transportation costs and mode of shipment;
  - Installation, commissioning, start-up costs;
  - Warranty, guarantee and after sales service;
  - Fee rate(s), divided by work performed at project site and in the home office, for proposed members of key personnel;
  - DSA and travel costs in respect of the bidder's personnel;



- Itemized direct and indirect costs (communications, report writing, etc.);
- Training costs.

Computational/arithmetical errors shall be rectified on the following basis:

- If there is a discrepancy between the unit price and the total cost that is obtained by multiplying the unit price and quantity, the unit price shall prevail and the total cost shall be corrected
- If there is a discrepancy between words and figures the amount in words will prevail.

If the bidder does not accept the correction of errors, his offer may be rejected.

The evaluation shall include any and all taxes, duties, levies, fees, duties, etc. that are applicable under the laws and regulations of the location of the assignment and that may be payable by UNIDO.

For high value or high risk procurements, it is recommended that, as part of a post-qualification review, a final background check is conducted in respect of the bidder whose offer is considered for award. At the discretion of the Procurement Official and the Project Manager/Allotment Holder, the results of the evaluation may be shared with the recipient of the services/equipment to ensure concurrence.

UNIDO's model bidding documents gives it the right to conduct the commercial evaluation and award the contract based only on the prices of the goods/equipment, on an ex-works, packed basis, if the Procurement Official/Authorized Official determines that the transportation costs (freight and/or insurance) offered by bidders are found to be higher than UNIDO's own estimated costs, if sourced from its own freight forwarder and insurance provider.

The Procurement Official shall prepare a commercial evaluation table of all substantially responsive offers and submit it to the Project Manager/Allotment Holder or, where relevant, the Evaluation Group for his/her/their review and endorsement.

## **12.4 Rating/Scoring Evaluation System**

A rating/scoring system allows for an in-depth assessment by assigning weights to evaluation criteria depending on their importance and establishing a minimum score for passing acceptability requirements.

A rating/scoring system for evaluation shall be applied for RFPs with an intended commitment exceeding €1,000,000.

In such cases the proposals are assessed against a pre-defined set of evaluation criteria, whereby relative weights are assigned to each evaluation criteria and proposals are rated in accordance with points scored. The scores assigned to the evaluation criteria and the minimum score rendering the offer technically acceptable shall normally be determined before the bidding documents are sent to the invitees but in any case prior to the deadline for the receipt of offers.

It is not permissible to apply a rating system, which is determined after opening of the offers received and/or to introduce additional evaluation criteria and/or technical or commercial requirements beyond those contained in the bidding documents.

#### **12.4.1 Evaluation Criteria**

Two sets of evaluation criteria, technical and commercial, shall be established jointly by the Project Manager/Allotment Holder/Evaluation Group and the Procurement Official.

The Project Manager/Allotment Holder/Evaluation Group in consultation with the Procurement Official shall define technical evaluation criteria and assign relative weights/scores on a scale of, for example, 100 points according to their respective importance. A minimum technical score (or “minimum qualifying score”) shall be defined. Any proposal which does not meet the minimum technical score shall be rated as technically not acceptable and shall not be considered any further in the evaluation process.

The evaluation criteria and, where relevant, the minimum score shall be defined before issuance of the bidding documents and specified therein.

The evaluation criteria should be measurable and specific in order to be meaningful. They and their associated weights should directly relate to, be proportionate to and be based on the requirements set forth in the technical specifications, the terms of reference or the statement of work or in other parts of the bidding document. The specific number and types of the evaluation criteria depend on the nature of the requirement and shall be specifically developed for each specific procurement case.

However, there should be a reasonable number of evaluation criteria and they should be as simple as possible so as not to render the evaluation and comparison of the offers more difficult and unnecessary complex. Each evaluation criterion should represent a key consideration for the selection decision and should allow for a meaningful comparison among the offers.

### 12.4.2 Assigning Weights Among Evaluation Criteria

Each evaluation criterion should be assigned a weight, for example expressed in points out of a total number of points (e.g. 100 or 1,000). Criteria with higher importance should be assigned more weight.

The minimum number of points (minimum score) rendering the offer acceptable should be determined jointly by the Procurement Official and the Project Manager/Allotment Holder/Evaluation Group.

The below table is an example of weights assigned among evaluation criteria for a typical procurement case:

<b>Evaluation Criteria</b>	<b>Weights in Points (illustrative)</b>
Technical/Commercial Requirements (to be detailed according to the specific requirements outlined in the Terms of Reference).	<b>45</b>
-	15
-	15
-	5
-	5
-	5
Adequacy of operational plan to satisfy the requirement (to be detailed):	<b>40</b>
- Human resources	10
- Vendor's facilities	10
- Mobilization plan	10
- Equipment	5
- Subcontracting	5
Guaranteed terms and conditions	<b>15</b>
Total:	<b>100</b>

### 12.4.3 Establishment of an Evaluation Group

The Procurement Official is responsible for carrying out the procurement exercise in close cooperation with the Project Manager/Allotment Holder.

Depending on the nature, complexity and the intended commitment of the procurement requirement and where multidisciplinary expertise is required, the Procurement Official, the Project Manager/Allotment Holder, the Chief of the relevant Substantive Office and the Chief, Procurement Services, shall jointly establish the Evaluation Group.

The purpose of the Evaluation Group is to verify that the bidders and their offers satisfy the requirements of the bidding documents, and to evaluate the offers according to the predefined evaluation criteria and requirements.


The Evaluation Group should be set up before the bidding documents are issued and should as a minimum consist of the Procurement Official, the Project Manager/Allotment Holder and other UNIDO staff member(s) who have an expertise and experience in regard to the specific procurement requirement. If the Project Manager/Allotment Holder is also the Procurement Official, the Project Manager/Allotment Holder shall be replaced by another official in the same service.

The Chair shall be nominated by the membership of the Evaluation Group.

All members of the Evaluation Group shall offer objective and independent advice and possess relevant knowledge and expertise in regard to the specific procurement requirement. To assist in its deliberations, the Project Manager/Allotment Holder, in consultation with the Evaluation Group, may invite subject matter experts/consultants to provide relevant advice and guidance. All such experts/consultants participate in the capacity as non-voting observers.

The Evaluation Group shall review and endorse the proposed technical and commercial evaluation criteria, including the rating/scoring system, where relevant. The group shall in particular review and endorse those criteria and requirements which are considered mandatory. The Procurement Official shall include all endorsed evaluation criteria and qualification requirements in the bidding documents.

All evaluation group members as well as other personnel involved in the evaluation shall be requested to sign the 'Declaration of Objectivity, Impartiality and Confidentiality' form.

 To download the 'Declaration of Objectivity, Impartiality and Confidentiality' form [click here](#).

#### **12.4.4 Evaluation of Offers by the Evaluation Group**

In principle, the evaluation process follows in all material aspects the provisions specified as below:

Upon receipt and opening of the technical offers, the Procurement Official together with the relevant Project Manager/Allotment Holder shall carry out the preliminary examination and administrative review of all offers in order to ensure that the offers are substantially responsive, i.e. conforming to all terms and conditions of the bidding documents without material deviations.

Following the preliminary examination and administrative review of all offers, the Procurement Official, in cooperation with the Project Manager/Allotment Holder, prepares a draft evaluation report which is distributed to the Evaluation Group for review and approval. The Evaluation Group normally shall adopt its decisions and recommendations by consensus. If in a particular case no consensus can be

reached, the Evaluation Group may adopt a decision or recommendation by a majority vote. In the event the votes are divided, the vote of the Chair shall be decisive. The views and positions of the Evaluation Group shall be recorded in the minutes.

After approval of the draft evaluation report, the Evaluation Group conducts the technical evaluation in line with the above procedure. Upon completion of the technical evaluation, the evaluation report is finalized and signed by all members of the group. The final report shall be submitted to the Chief, Procurement Services for further action.

Thereafter, commercial offers corresponding to the technically acceptable proposals shall be opened. The Procurement Official in cooperation with the Project Manager/Allotment Holder prepares a draft commercial evaluation for review by the Evaluation Group, which discusses the evaluation and recommends selection of the winning bid.

The Procurement Official finalizes the commercial evaluation, certifies it, arranges for its signature by the members of the Evaluation Group and prepares submission to the Procurement Committee for signature by the Chief, Procurement Services, enclosing both technical and commercial evaluations and recommending contract award in line with the selection criteria.

## **12.5 Requests for Clarification and Additional Information from Bidders**

If the offer is unclear or ambiguous, the bidder(s) may be contacted by the Procurement Official/Authorized Official in writing for a clarification. Such clarification shall be limited to the actual material issue, and not be utilized to modify the offer. The request shall state the UNIDO possible understandings and request confirmation of this understanding.

If any information is missing in an offer, the Procurement Official/Authorized Official may opt to obtain such information and not immediately reject the offer. In case the bidder fails to provide the requested information by the date specified by the Procurement Official/Authorized Official, the offer may be rejected.

Requests for clarification should be sent to bidders in writing. However, for some procurement activities it might be required to hold clarification meetings. In such cases meeting minutes or similar documents shall be made and kept in the procurement file.

It is not permissible for any participant of the procurement process, except for the Procurement Official, to contact the bidders during evaluation of the offers.

## 12.6 Negotiation Procedures

Negotiations may be carried out with selected bidder(s) prior to award of contract with the aim to safeguard effective competition, best value for money and best interest of the Organization principles. However, in some cases, negotiations may be justified after contract award. Negotiations shall not compromise the principles of fairness and transparency.

After having conducted a competitive bidding process, negotiations with bidder(s) may be required for the following reasons: In order to attempt to reduce the price of the submitted offer, or to agree on specific contractual terms and conditions.

Negotiations can also be an effective tool in cases of waiver of competitive bidding.

The possible reasons for entering into negotiations are:

- The offer(s) is/are above the planned or available budget;
- There is a significant difference between the highest ranked offer(s) and the other one(s);
- Only one offer is received;
- The scope of the offer includes additional equipment and/or services which were not originally specified in the bidding documents;
- The offer contains DSA, travel cost, and similar rates and fees that are not in line with standard rates;
- The Procurement Official/Authorized Official in agreement with the Project Manager/Allotment Holder(s)/Evaluation Group considers that entering into negotiations could improve one or more aspects of the technical and/or commercial offer(s).

In cases where negotiations are foreseen the following procedure shall be followed:

- For commitments below €200,000, negotiations may be conducted by the Procurement Official/Authorized Official concerned within the thresholds of his/her delegated procurement authority.
- For commitments of €200,000 and higher, authorization shall be given by the MD/PSM upon the recommendation of the Procurement Committee.
- For cases above €200,000 the Procurement Official shall inform the Procurement Committee of the outcome of the negotiations through written documentation.

Negotiations shall be performed taking into consideration the principle of equality and fair treatment of the bidders and in line with the UNIDO procurement processes.

During the negotiations, no information obtained from other bidders shall be divulged to the bidder(s) with whom negotiations are being conducted.

Bidders shall be advised that their participation in negotiations do not represent any obligation or commitment on the part of UNIDO neither with regard to any proposed terms and conditions being discussed during the negotiations nor with respect to the final award.

Any costs incurred by the bidder and/or his representative(s) in connection with the negotiations shall be at the bidder's expense.

As a minimum, the Procurement Official assigned to the case, the Project Manager/Allotment Holder concerned and, where relevant, one or several members of the Evaluation Group shall represent UNIDO in the negotiations. In addition, other procurement staff as well as representatives from other offices, e.g. Office of Legal Affairs, may be represented.

Negotiations shall be based on the original technical specifications/terms of reference/statement of works included in the bidding documents. Modifications or changes of the offered scope of supply and services are not permissible since this would undermine the integrity of the procurement process. In case agreement cannot be reached, all offers may be rejected and a new procurement exercise based on the modified technical specifications/terms of reference/statement of works shall be carried out.

Negotiations may be carried out in the form of direct discussions/meetings between UNIDO and the bidder(s) (direct negotiations) or through a unilateral request by the Procurement Official/Authorized Official for a best and final offer or a combination thereof to improve specific aspects of the offer(s) (technical and/or commercial).

The selection of negotiation procedure depends on different factors such as the selected procurement method, the justification for negotiations, the nature and complexity of the procurement requirement, etc.

#### **12.6.1 Best and Final Offer (BAFO)**

After completion of the technical and commercial evaluation and to safeguard effective competition, best value for money as well as the best interest of the Organization principles, the Procurement Official in agreement with the Project Manager/Allotment Holder/Evaluation Group may decide to enter into competitive negotiations with one or more bidders whose proposal(s) were found technically acceptable, having passed the minimum technical score.

The procedure for attaining the BAFO requiring professional negotiation skills shall only be used in special cases and with sound professional judgement in order to arrive at a decision that meets the procurement principles of the

Organization. The purpose of the BAFO is to clarify ambiguities, correct obvious mistakes, point out weaknesses and deficiencies, and generally seek improvements in either or both the technical and financial offers. Furthermore, BAFO shall be applied for procurement transactions whose intended commitments are above €200,000 and shall be conducted by the Procurement Official in close cooperation with the Project Manager/Allotment Holder/Evaluation Group.

All bidders, by strict adherence to the principles of equal treatment and non-discrimination, shall be requested to provide their BAFO by a prescribed deadline.

The request to submit a BAFO shall only contain information pertaining to the technical and/or commercial proposal of each relevant bidder without disclosing the technical nor commercial evaluation results.

Bidder(s) shall be informed of the deficiencies of their offer(s) and that price increases will not be accepted, and in the event that they decline to alter the terms of their original proposal, such decision will not disqualify them. For example, bidders may be requested to offer to extend warranty periods, to offer additional discounts and/or to shorten delivery time and other performance indicators of benefit to the Organization. The request for BAFO shall not contain any information committing the Organization.

In order to maintain the integrity of the process, technical, commercial or other market information revealed during discussions with bidders shall be confidential. All communications with bidder(s) shall be fully documented.

Normally the BAFO(s) submitted by the bidder(s) should consist of complete revised proposals, submitted in the SRM/MM portal or through sealed envelopes.

The BAFO shall normally only allow bidder(s) to lower their price provided the offered scope of in relation to UNIDO's procurement requirements is not changed thereby.

A bidder may decline to modify the price(s) contained in his original offer in which case such bidder shall not be disqualified.

In cases where the scope of work is slightly modified following negotiations, the resulting price changes are subject to review by the Procurement Official in close collaboration with the Project Manager/Allotment Holder/Evaluation Group. Such cases would need to be clearly highlighted and documented during the final approval stage.

After having received BAFO(s) from bidder(s), the Procurement Official and the Project Manager/Allotment Holder/Evaluation Group shall reconvene and complete the technical and commercial evaluation, obtain additional



clarifications, if deemed required, and shall then, based on the final comparison of the competing offers, reach a final decision.

## **12.7 Modification of Offers**

### **12.7.1 Before Deadline for Receipt of Offers**

Offers may be modified by the bidder in writing, prior to the deadline for the receipt of offers specified in the bidding documents.

### **12.7.2 After Deadline for Receipt of Offers**

Any alteration of the offer after the deadline for receipt of offers shall not be accepted, unless such modification is due to obvious errors or omissions and the bidding documents allow for such corrections.

## **12.8 Withdrawal of Offer after Deadline for Receipt of Offers**

Offers withdrawn after the deadline for receipt of offers shall not be accepted. However, for record purposes the bidder shall be requested to provide reason for withdrawal in writing.

## **12.9 Reference Checks**

The Procurement Official, in consultation with the Project Manager/Allotment Holder may decide to undertake reference checks aimed at determining, to the satisfaction of UNIDO, the validity of the information provided by the bidder. Such reference checks shall be fully documented and may include but not be limited to the following aspects relevant to the procurement transaction:

- Verification of accuracy, correctness and authenticity of information provided by the bidder on the legal, technical and financial documents submitted;
- Validation of extent of compliance to the procurement requirements and evaluation criteria;
- Inquiry and reference checking with Government entities with jurisdiction on the bidder, or any other entity that may have done business with the bidder;
- Inquiry and reference checking with other previous clients on the quality of performance on ongoing or previous purchase orders/contracts completed;
- Physical inspection of the bidder's offices, branches or other places where business transpires;
- Quality assessment of ongoing and completed outputs, works and activities similar to the requirements of the relevant procurement, where relevant;
- Other means that UNIDO may deem appropriate, at any stage within the evaluation and selection process, prior to awarding the contract.

## 12.10 Cancellation of Procurement Exercise

To the extent possible, cancellation of a procurement exercise should be avoided, unless it is clear that the requested deliverables are no longer needed; the requirements have substantively changed; funding is no longer available; or the continuation of the procurement exercise is deemed to be no longer in the best interest of UNIDO.

If it becomes necessary to cancel the procurement exercise, the Procurement Official/Authorized Official shall issue a notification that the procurement exercise has been terminated. Such notification shall be distributed simultaneously to all potential bidders which have acknowledged their intention to participate in the procurement exercise or to all bidders which have submitted offers.

The reason(s) for cancellation shall be recorded by the Procurement Official/Authorized Official concerned in the form of a note of cancellation which shall be placed in the procurement file.

## 13 Selection and Award of Contract

The award of a procurement contract shall be made after due consideration has been given to the best value for money principles and the interests of UNIDO in accordance with Financial Rule 109.5.6 as follows:

- (i) When a Request for Quotation has been issued, contracts are awarded to the bidder that has submitted the lowest price quotation meeting the requirements of the bidding documents;
- (ii) When a formal Invitation to Bid has been issued, the procurement contract shall be awarded to the qualified bidder whose bid conforms to the requirements set forth in the bidding documents and offers the lowest cost to UNIDO;
- (iii) When a formal Request for Proposal has been issued, the procurement contract shall be awarded to the qualified bidder whose technical proposal meets the predefined minimum technical score and whose price proposal is the lowest.

Purchase orders/contracts shall be awarded by the Procurement Official/Authorized Official in accordance with their respective delegated procurement authority.

### 13.1 Submissions to the Procurement Committee

The Procurement Committee shall review the submissions of Procurement Services for their compliance with the Financial Regulations and Rules of UNIDO, other regulating documents and the present Procurement Manual and render an unambiguous recommendation to the MD/PSM.

Submissions are prepared and made by the Procurement Officials concerned, based on the summary reflecting the technical evaluation and commercial evaluation of all offer(s) received, subject to screening and endorsement by the Chief, Procurement Services.


The submissions shall be comprehensive and detailed and shall include, as a minimum, the following documents and information:

- Summary of the technical evaluation and commercial evaluation;
- Under Financial Rules 109.5.5 (a) (i) to (vii), procurement requirements carried out under centralized procurement with intended commitment equal to or above €200,000: written endorsement:
  - (i) that the relevant request is complete,
  - (ii) that the detailed justification(s) provided by the relevant Project Manager/Allotment Holder satisfy one or several of the pre-scribed pre-conditions for invoking waivers, and
  - (iii) that by invoking waiver, UNIDO's procurement principles are upheld;
- Technical specifications/terms of reference/statement of works; and
- Other supporting documents, as may be appropriate.

The following cases of procurement transactions shall be submitted to the Procurement Committee for consideration and recommendation to the MD/PSM:

- (i) All proposed initial purchase orders/contracts (LTAs) which involve actual or potential commitments to a single contractor in respect of a single for a specific project or purpose, or a series of inter-related, requisition(s) meeting a specific procurement requirement with a value of €200,000 and above within any calendar year (i.e. January to December) of the date of the award;
- (ii) All proposed purchase orders/contracts or series of inter-related purchase orders/contracts, including those for television or film activities, that involve income to the Organization of €40,000 or more, and any contracts relating to activities where the estimated annual income therefrom, when aggregated with the estimated annual income from any other contract or contracts already made with the same purchaser in the same year amounts to €40,000 or more;

- (iii) Contractual arrangements resulting from the recommendations of the Property Survey Board or of the Publications Board shall not be referred to the Procurement Committee;
- (iv) Any proposed amendment, modification, renewal of a purchase order/contract (LTA) previously reviewed by the Procurement Committee which changes the originally approved contractual amount by more than twenty (20) percent or €200,000, whichever is lower;
- (v) Any proposed amendment, modification or renewal of an existing purchase order/contract where, in the judgment of Procurement Services, such review by the Procurement Committee is deemed desirable;
- (vi) Any proposed amendment, modification, or renewal of a purchase order/contract (LTA) pertaining to a specific project or purpose and a single contractor not previously submitted to the Procurement Committee where, during a calendar year (i.e. January to December) award of the initial purchase order/contract (LTA), the aggregate amount exceeds €200,000;
- (vii) Potential LTAs whose aggregate duration exceeds the period of five years shall be submitted to the Procurement Committee for its review;
- (viii) In addition, if the price increase of any outstanding LTA exceeds 5% in any given year, the review by the Procurement Committee and approval by the MD/PSM is required.
- (ix) Such other matters as may be referred to the Committee by the Director-General, MD/PSM, or such other officials authorized under Financial Rule 109.5.2(a).

 To view the Terms of Reference of the Procurement Committee [click here](#).

 To view the standard Procurement Committee submission form [click here](#).


## 13.2 Statement of Award

Purchase orders/contracts are awarded by the Procurement Official/Authorized Officer within his/her level of delegated procurement authority or upon approval by the MD/PSM, as applicable.

The basis (i.e. Financial Rule) for a purchase order/contract and any amendments shall be stated in the 'Approval Note' in the SRM/MM portal.

### 13.2.1 Commitment of Funds

Upon approval of award, the Procurement Official/Authorized Official creates and approves the purchase order/contract. In the SRM/MM portal, an automatic fund checking is executed and the commitment confirmed concurrently.

 For detailed guidance on how to create and approve purchase orders/contracts in the SRM/MM portal please [click here](#).

### 13.2.2 Award Notice

To enhance transparency, information on all signed purchase orders/contracts exceeding €200,000 may be posted on UNIDO's external web-site. This information should include ITB/RFP number, a brief description of the services/goods procured, date of the purchase order/contract, and name of the contractor and amount of the purchase order/contract in Euro.

### 13.2.3 Notification and Debriefing of Unsuccessful Bidders

Upon receipt of the countersigned purchase order/contract, the Procurement Official/Authorized official shall inform unsuccessful bidders through the SRM/MM portal or in writing (surrogate bidder) that they were unsuccessful.

The Procurement Official/Authorized Official and the Project Manager/Allotment Holder, where applicable, may carry out debriefing of unsuccessful bidders. The scope of the debriefing should be limited to identifying the shortcomings of the offer. The outcome of the evaluation of other offers shall under no circumstances be discussed nor disclosed to the bidder being debriefed.

### 13.2.4 Protest Procedures

Protest notifications from bidders that do not indicate the grounds for the protest shall not be entertained.

Upon receipt of a written protest from an unsuccessful bidder, the Procurement Official/Authorized Official concerned shall:

- (i) Immediately inform the Chief, Procurement Services, with a copy to the Director, PSM/OSS and the Director of the relevant Substantive Branch who shall jointly review the grounds of the protest;
- (ii) Within two work days, acknowledge receipt of the bidder's protest;
- (iii) Seek the advice of the Office of Legal Affairs, as deemed necessary;
- (iv) Prepare a draft response for signature by the Chief, Procurement Services, and thereafter transmit the formal written decision to the bidder.

### 13.3 Procedure for Retroactive and Post Facto Approval

A retroactive situation occurs when no purchase order/contract or amendment thereof was issued by UNIDO, but deliverables have already commenced and/or provided in part.

A post facto situation occurs when no purchase order/contract or amendment thereof was issued by UNIDO, but the deliverables have already been provided in full.

Retroactive and post facto situations shall be rare exceptions and may be accepted by UNIDO only under exceptional circumstances. Nevertheless, when they occur, they shall undergo a special review by Financial Services before related payments are authorized and made, or, if payment is already made, for such expenditures to be accepted by UNIDO.

It shall also be understood that the acceptance of such expenditures, if approved, must not be taken as the retroactive approval of the actions of the Project Manager/Allotment Holder who committed UNIDO without following standard procedures. Such Project Manager/Allotment Holder remains personally accountable and financially liable for his/her actions.

Each retroactive or post facto case shall be presented by the relevant Project Manager/Allotment Holder to Financial Services for review in accordance with the procedures established by the Financial Services.

## 14 Contract Preparation

### 14.1 Purchase Order/Contract (LTA)

A purchase order or a contract is a legally binding document between UNIDO and the contractor, and contains normally the following terms and conditions:

- Name and addresses of parties and persons authorized to act on their behalf;
- Reference to the bidding document, the offer, clarification(s) and amendment(s) issued, etc.;
- Nature of the goods/works/services;
- Quantity(s);
- Duration of the purchase order/contract, i.e. start and completion dates;
- Performance and/or delivery requirements, i.e. milestone(s), acceptance criteria, etc.;
- Key personnel requirements: Purchase orders/contracts for works and services should specify the name of key personnel, and their input in terms of estimated work–days/ weeks/months;

- Terms of delivery;
- Payment terms;
- UNIDO General Conditions of Contract.

Written purchase orders/contracts shall preferably be issued for all procurements of goods/services/works; however they shall be mandatory for all commitments above €5,000. Purchase orders/contracts shall be signed by all concerned parties before commencement of performance. In case countersigning the form is not common business practice for low value procurements of certain goods/services or in certain areas (e.g. buying petrol, supplies, printing cards etc.) the Project Manager/Allotment Holder shall enter the following text in the field 'Approval Note' of the Shopping Cart: "I hereby certify that UNIDO has been verbally or otherwise committed to pay for the indicated goods/services."


Depending on the complexity and the nature of the goods/services/works, the technical specifications, terms of reference etc. may be attached as an annex or their content may be included directly in the purchase order/contract document. If the purchase order/contract involves commitments for future financial years it shall, whenever possible and appropriate, contain a clause permitting UNIDO to terminate the purchase order/contract if the necessary funds are not available.

When preparing a purchase order or a contract, the following shall be considered:

- For decentralized procurement: To the extent feasible, the Authorized Official shall use the model purchase order/contract forms which can be generated through the SRM/MM portal.
- For centralized procurement: To the extent feasible, the Procurement Official shall use the model purchase order/contract forms which are available in the SRM/MM portal system or downloadable from the PRS library.

It is good practice to formulate relevant terms and conditions of the potential contract when preparing the bidding documents. In complex cases, the Procurement Official may decide, through the Chief, Procurement Services, to consult the Office of Legal Affairs.

All model purchase order, lease agreement and contract templates are maintained by Procurement Services and are available in the SRM/MM portal and the PRS library.

 For detailed guidance on creating and approving purchase orders and contracts in the SRM/MM portal please [click here](#).

### **14.1.1 Delivery Terms**

Purchase orders/contracts for the supply and delivery of goods/equipment shall normally contain widely accepted delivery terms, as defined in the latest version of the International Commercial Terms of the International Chamber of Commerce (INCOTERMS 2010) please [click here](#).

### **14.1.2 Payment Terms**

Payments shall be made in accordance with the payment terms specified in the purchase order/contract document.

UNIDO's normal payment terms are 30 days upon satisfactory delivery of goods or performance of works/services and acceptance thereof by UNIDO. Progress payments are allowed if so stated in the purchase order/contract.

Purchase orders/contracts for the provision of services or works are normally structured in accordance with the milestones/deliverables specified in the terms of reference. Thus, every milestone/deliverable may be associated with a predefined progress payment whose amount and conditions of payment must be proportionate with the complexity and value of the deliverable to UNIDO. Progress payments shall normally require proof by the contractor that the relevant deliverable has been provided.

Final payment shall be made upon acceptance by UNIDO of any and all deliverables specified in the purchase order/contract.

The Financial Regulations and Rules of UNIDO preclude payment by letters of credit.

The Procurement Official/Authorized Official shall specify the required payment terms in the bidding documents.

### **14.1.3 Advance Payments**

Advance payments may be agreed to when prudent commercial practices or the best interest of UNIDO so require.

Whenever an advance payment is agreed to, the reasons therefore shall be recorded and to the extent possible a warranty from the Government or a bank guarantee shall be obtained. Examples of activities that may justify advance payment are mobilization costs, start-up costs, design and manufacturing costs, subscription of magazines or service licensing arrangements, membership fees, etc.

For medium and high value or high risk purchase orders where a guarantee is not obtainable, the advance payment shall normally not exceed 20% of the



purchase order/contract. In such cases, the Procurement Official/Authorized Official shall include a clause in the purchase order/contract to safeguard UNIDO's financial interest.

#### **14.1.4 UNIDO General Conditions of Contract (GCC)**

The UNIDO General Conditions of Contract (GCC) shall form an integral part of any and all UNIDO purchase orders/contracts.

Modifications, alterations, changes, deletions or additions to the UNIDO General Conditions of Contract are strictly not permitted.

In exceptional circumstances where modification or change of the UNIDO GCC are required or where the potential contractor insists on the use of his general terms and conditions, Procurement Services shall be consulted.

 To view the UNIDO GCC please [click here](#).

#### **14.1.5 Taxes**

UNIDO as a specialized agency of the United Nations is exempt from direct taxes such as income tax, and in general may claim an exemption from or reimbursement of indirect taxes, such as sales tax and VAT, in respect of important purchases for official use. UNIDO's rights in this respect derive from various sources of international law, such as the Convention on the Privileges and Immunities of the United Nations (General Convention) adopted by the General Assembly in 1946, as well as UNIDO's headquarters agreement with Austria.


If a contractor requests information concerning the tax-free status of UNIDO (for example, as regards VAT exemption), in case of centralized procurement, Procurement Services and, in case of decentralized procurement, Financial Services may be contacted to provide a standard letter.

#### **14.1.6 Performance Security**

In order to ensure that adequate safeguards are in place to protect UNIDO's interest throughout the fulfilment of the contractual agreement, the Procurement Official may request the contractor to provide a performance security in the form of a bank guarantee, bank bond or bank performance guarantee or similar performance security, if such requirement is included in the bidding documents, or agreed upon during the finalization of the purchase order/contract.

Decisive factors may be the bidder's financial strength and references and the scope, nature and value of the relevant procurement requirement.

For medium and high value or high risk purchase orders where a guarantee is not obtainable, the performance shall be secured by including a clause in the purchase order/contract to safeguard UNIDO's financial interest. The corresponding payment shall normally not exceed 20% of the purchase order/contract.

 to view performance security templates [click here](#) .

## **14.2 Finalization, Issuance and Signature of Purchase Orders/Contracts (LTAs) and Lease Agreements**

For most cases Procurement Services highly recommends the use of the form which can be generated through the 'print preview' tool within the Fast Track procedure in the SRM/MM portal and have it countersigned by the respective contractor.

However, in case the above procedure fails due to the fact that countersigning the form is not common business practice for low value procurements of certain goods/services or in certain areas (e.g. buying petrol, supplies, printing cards etc.) the Project Manager/Allotment Holder shall enter the following text in the field 'Approval Note' of the Shopping Cart: "I hereby certify that UNIDO has been verbally or otherwise committed to pay for the indicated goods/services."

For low value procurements, the Procurement Official/Authorized Official may email the purchase order together with his/her electronic signature to the contractor for his countersignature.

For medium value procurements, upon finalization of the purchase order/contract documents through the SRM/MM portal, the documents shall be printed, initialed on all pages and signed by the Procurement Official/Authorized Official, and then sent in a pdf format to the contractor for his countersignature. The countersigned version shall be returned in pdf format via electronic means for uploading in the SRM/MM portal.

For high value procurements, upon finalization of the purchase order/contract documents, the documents shall be printed, initialed on all pages and signed by the Procurement Official. Two original sets of the documents shall be sent by courier to the contractor for his countersignature. Upon receipt of the countersigned version, it shall be uploaded in the SRM/MM portal.

In respect of lease agreements, once the Project Manager/Allotment Holder has identified as suitable property and has come to an agreement with the prospective landlord on essential business terms (such as monthly rent, term of lease, and move-in date), Procurement Services shall be requested to prepare the lease agreement, based on the model, and either negotiate directly with the landlord or at least keep abreast of the negotiations. Lease agreements should

follow the award procedures specified herein. Normally, conclusion of the lease agreements shall follow the procedures described in this Article. In case the signatory is not the Procurement Official/Authorized Official, authorization shall be sought from Managing Director, PSM, through Procurement Services.

### 14.3 Types of Purchase Order/Contract Documents

The following types of purchase order/contract documents are used by UNIDO for the procurement of goods, services and works.

#### 14.3.1 Purchase Order

In the SRM/MM portal, the model purchase order template shall be used for establishing a contractual relationship between UNIDO and a contractor for goods, services or works as well as for call-off/work orders against existing contracts (LTAs).

The following model purchase order/contract templates are available in the SRM/MM portal:

Name of Model Purchase Order/Contract	Fast Track	Decentralized	Centralized	Link to Document
PO for goods and services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<a href="#">Click here</a>
PO for services (short) e.g. consultancy, training, etc		<input checked="" type="checkbox"/>		<a href="#">Click here</a>
PO for services TC			<input checked="" type="checkbox"/>	<a href="#">Click here</a>
PO for services HQ			<input checked="" type="checkbox"/>	<a href="#">Click here</a>
PO for works TC			<input checked="" type="checkbox"/>	<a href="#">Click here</a>
PO for works HQ			<input checked="" type="checkbox"/>	<a href="#">Click here</a>
PO for incremental operating costs (IOC)			<input checked="" type="checkbox"/>	<a href="#">Click here</a>
PO for incremental capital costs (ICC)			<input checked="" type="checkbox"/>	<a href="#">Click here</a>

Other templates not mentioned above, e.g. model contract templates for POPs, large scale construction, etc. are available in the PRS library.

#### 14.3.2 Contract (LTA)

For details please refer to Article 4.4.

#### 14.3.3 Amendment of Purchase Orders/Contracts (LTAs)

An amendment to the purchase order/contract shall be issued where ongoing

purchase orders/contracts require a modification or change.

An amendment may or may not have an impact on the total value of the purchase order/contract. An amendment shall not be issued after termination or expiration of the relevant purchase order/contract. Retroactive or post facto amendments to purchase orders/contracts are not permitted.

Amendment of purchase orders/contracts can be initiated by the Procurement Official/Authorized Official, the Project Manager/Allotment Holder, where applicable, and/or the contractor. Amendments shall be approved by the Procurement Official/Authorized Official, by taking into account the cumulative commitments entered into under the same purchase order/contract.

Before amending the purchase order/contract, the Procurement Official/Authorized Official shall ensure the following:

- (i) The proposed amendment in relation to the requirements and criteria on which the award of the original purchase order/contract was made does not significantly affect the procurement process or the original terms and conditions and scope of services and supplies, thus does not impact the integrity of the procurement process;
- (ii) The contractor performs and has performed satisfactorily;
- (iii) As a condition of the proposed amendment, where relevant, the contractor agrees to extend or re-issue any performance bank guarantee required pursuant to the terms and conditions of the amendment;
- (iv) If appropriate, a comparative cost estimate has been undertaken to determine if the price(s) offered by the contractor are still competitive and reasonable in relation to comparable market rate(s), and to determine what the commercial cost would have been if UNIDO were to engage in an open procurement procedure.


Any increase in the amount of the purchase order price shall be justified, either on the basis of detailed description of the scope of the additional goods, services or works to be provided which must be directly linked and related to the original scope of the original purchase order/contract, and/or the additional scope of the purchase order/contract can be verified by changes made on the original bill of quantities.

The procurement procedure for amendments shall be the same as that applied for the original purchase order/contract.

A proposed amendment to an existing purchase order/contract may require the review of the Procurement Committee in which case the submission shall contain relevant description and justifications.

The procedures for signing an amendment shall follow the threshold of delegated procurement authority, taking into consideration the aggregate value

of the relevant purchase order/contract and the current amendment.

 Templates for amendments are available in the PRS library please [click here](#).

In the case of an amendment of a contract (LTA), the above provisions shall similarly apply, except that such amendment shall be carried out by Procurement Services.

#### **14.4 Termination of a Purchase Order and Contract (LTA)**

Purchase orders/contracts are completed upon satisfactory fulfilment of all contractual obligations and upon agreement by all parties involved.

A purchase order/contract may be terminated for reasons such as:

- non-performance;
- upon default indicated in the purchase order/contract document as permitting termination;
- unilateral termination upon request by either party to exercise the termination provision; etc.

In the case of default or non-performance by the contractor, a purchase order/contract can be terminated after the contractor fails to remedy the non-performance requested formally by UNIDO.

The remedies for the breach of the purchase order/contract shall normally be stated in the purchase order/contract document. In cases they are not, the Procurement Official/Authorized Official shall consult the Chief, Procurement Services.

##### **14.4.1 Dispute Resolution**

In light of UNIDO's privileges and immunities, in particular the immunity from legal process, UNIDO contracts normally provide for arbitration as the formal means of settling disputes. For this reason, UNIDO's General Conditions of Contract refer to UNCITRAL's conciliation and arbitration rules and procedures.

In case of a dispute with a contractor, the Procurement Official/Authorized Official in collaboration with the Project Manager/Allotment Holder, where applicable, shall attempt to reach an amicable solution with the contractor. In case the dispute cannot be resolved amicably, and the contractor makes or threatens to make a formal claim against UNIDO (by, for example, referring the matter to its lawyers or invoking the dispute settlement provisions under the purchase order/contract), the Procurement Official/Authorized Official shall immediately refer to the Claims Management provisions of the Procurement Manual.


### 14.4.2 Purchase Order/Contract Completion

Before considering a purchase/contract as successfully completed, the Procurement Official/Authorized Official shall ensure that:

- Any and all goods/services/works were received and accepted by UNIDO in full compliance with the terms and conditions specified in the purchase order/contract and all relevant documents stored in the SRM/MM portal;
- There are no outstanding claims;
- Final invoice has been received and payment released accordingly.

## 15 Documentation of the Procurement Process


The SRM/MM portal provides tracking of the procurement process. Additional documents generated outside the portal shall be attached at various stages of the procurement process.

 For a complete list of required procurement documents please [click here](#).

## 16 Reporting

The SRM/MM portal provides a number of reports for various statistical reporting requirements and for monitoring and controlling purposes that can be used for various management reporting purposes.

On a bi-annual basis, Procurement Services shall provide reports on procurement transactions occurring in the preceding period.

 For detailed guidance on how to generate various reports in SRM/MM [click here](#).

## 17 Management of Purchase Orders/Contracts

### 17.1 Monitoring and Control of Contract Performance

Purchase orders/contracts are managed by the Procurements Official/Authorized Official in cooperation with the Project Manager/Allotment Holder, where applicable. The management of a purchase order/contract shall, as a minimum, include proactive monitoring of the contractor's performance to ensure compliance with the terms and conditions of the purchase order contract.


## 17.2 Delivery, Inspections, Goods/Services/Works Receipt

The Project Manager/Allotment Holder is responsible for arranging the receipt and inspection of the procured goods/services/works and for their acceptance. In case of rejection, the Project Manager/Allotment Holder, in consultation with the Procurement Official, where relevant, shall decide on the most appropriate action.

Upon receipt and acceptance of the goods/services/works, a certificate of acceptance shall be prepared and signed by the Project Manager/Allotment Holder, in consultation with the project beneficiary/counterpart, where applicable, and the contractor.

The Project Manager/Allotment Holder shall upload the certificate of acceptance and approve the respective goods/service receipt confirmation process in the SRM/MM portal.

The Project Manager/Allotment Holder in consultation with the Procurement Official concerned may decide to use a surveillance or inspection agency to carry out the detailed inspection of the delivered goods/equipment. A surveillance or inspection agency is an independent third party representing the interest of UNIDO, verifying that the received goods are in accordance with the packing lists, received undamaged and in good condition, quality (or otherwise). The use of such surveillance or inspection agencies shall be considered for goods of sensitive nature, including equipment for decontamination, laboratory, analysis, calibration, computers, and similar high-value goods.

 For detailed information on how to approve the receipt of goods/services/works in the SRM/MM portal please [click here](#).

In order not to unduly uphold payment, the Procurement Official/Authorized Official must make all efforts to arrange for the timely inspection of the delivered goods, services or works.

No payment shall be effected for goods/services/works that have been rejected.

## 17.3 Invoicing and Payment

For purposes of payment, the purchase order/contract shall specify the payment and invoicing terms.

In cases where the bank details indicated in the invoice differ from the relevant bank data in the supplier master file in the SRM/MM portal, Financial Services shall exercise due diligence before release of payment.

## 17.4 Claims Management

To the extent possible, the following procedures should be followed in regard to any claims for compensation or damages by a contractor:

- 1) A claim by a contractor should be in writing and should be submitted according to the terms of the purchase order/contract to the relevant Procurement Official/Authorized Official for action.
- 2) The Procurement Official/Authorized Official should make a preliminary assessment, when necessary in cooperation with the Project Manager/Allotment Holder, where applicable, of whether the claim is in line with the provisions of the purchase order/contract. If the Procurement Official/Authorized Official considers that the claim is not in line with the purchase order/contract, the Procurement Official/Authorized Official should inform the contractor in writing that the claim has been rejected by UNIDO explaining the reasons thereof, if necessary after seeking the advice of Procurement Services (and, if requested by PRS, the Office of Legal Affairs).
- 3) If the Procurement Official/Authorized Official considers that the claim may be justified, the Procurement Official/Authorized Official should request Financial Services (in case the claims have financial bearing on the Organization) to review the claim from a financial viewpoint. The position of the Procurement Official/Authorized Official in respect of the claim and the justifications for settling it should accompany the request for financial review.
- 4) Financial Services will review the claim and make a recommendation thereon to the Procurement Official/Authorized Official. If Financial Services recommends rejecting the claim, the Procurement Official/Authorized Official should inform the contractor in writing that his claim has been rejected, unless the Procurement Official/Authorized Official is of the opinion that there are reasonable grounds for settling the claim.
- 5) If Financial Services raises no financial objection to settling the claim, the Procurement Official/Authorized Official should request the Office of Legal Affairs to provide an opinion on the validity of the claim. The Procurement Official/Authorized Official may also seek a legal opinion if Financial Services recommends rejecting the claim but he or she remains of the opinion that there are reasonable grounds for settling it.
- 6) When requesting legal advice pursuant to paragraphs 2 or 5 above, the Procurement Official/Authorized Official should address a memorandum to the Office of Legal Affairs and include copies of the following documentation:



- (a) the written claim by the contractor and relevant background information, including, if available, the recommendation of Financial Services;
- (b) the current purchase order/contract and any annexes and amendments or modifications thereto;
- (c) all correspondence, including emails, to or from the contractor concerning the subject matter under dispute, as well as such correspondence as may exist concerning the award, negotiation and conclusion of the purchase order/contract and any amendments or modifications thereto.

The accompanying memorandum shall present the written position of the Procurement Official/Authorized Official in respect of the claim, as well as a chronology of events. If the matter is urgent, a deadline for a response from the Office of Legal Affairs should be clearly specified.

- 7) The Office of Legal Affairs will provide its advice in writing to the Procurement Official/Authorized Official, who will then submit a recommendation on whether to accept or reject the claim or to take other appropriate action [for example, a request for additional information or for a meeting with the claimant] to the Director, Operational Support Services Branch for a final decision. If necessary, the Director may submit the issue to the Managing Director, PSM for advice. The final decision concerning the claim should be communicated in writing to the contractor by the Procurement Official/Authorized Official.
- 8) As long as a claim is under consideration and no decision has been taken on whether to accept or reject the claim or to take other appropriate action, no official of UNIDO is authorized to disclose any information to the contractor or any third party concerning the position of UNIDO with respect to the claim.
- 9) All internal correspondence between services concerning any claim should be copied to the Director, Operational Support Services Branch.


## 18 Contractor Performance

Contractor performance evaluation shall be made jointly by the Procurement Official/Authorized Official and the Project Manager/Allotment Holder, where applicable.

The evaluation shall review the performance of the contractor against the following criteria:

- (i) Quality of goods/services/works;
- (ii) Delivery period;
- (iii) After-sales service/warranty;
- (iv) Accuracy of documentation;
- (v) Speed of response;
- (vi) Cooperation, etc.

The SRM/MM portal provides reporting on contractor performance.

 For detailed information about contractor performance evaluation in SRM/MM please [click here](#).

## 19 Logistics

### 19.1 Packing, Labelling and Shipping Instructions

Packing instructions to contractors shall take into consideration the following factors:

- the nature of goods;
- means of shipment;
- climatic conditions during the shipment; and
- the delivery location etc.

Packing and shipping instructions shall be included in the purchases order/contract.

The contractor shall pack the goods with the appropriate materials and with every care, in accordance with the normal commercial standards of export packing for the type of goods specified in this purchase order/contract. Such packing materials used must be adequate to safeguard the goods while in transit. The contractor shall be responsible for any damage or loss which are proven to have resulted from faulty or inadequate packing.

Contractors shall be instructed to:

- properly pack the goods to withstand rough handling during transportation and that they may be held liable for any/all claims which may arise as a result of improper packing;
- enclose one copy of the contractor's packing list in the consignment, identifying the contents according to the item numbers appearing on the purchase order/contract;
- mark all packages (indelibly) ensuring that marks and numbers of inward consignments tally with the marks and numbers indicated on the airway bill and/or bill of lading;

- send all shipping details to the Procurement Official/Authorized Official by clearly indicating the following information:
  - Consignee;
  - Destination of the goods/address of the recipient;
  - Purchase order/contract number;
  - Project identification;
  - Case number.

## 19.2 INCOTERMS

The INCOTERMS rules or International Commercial terms are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) that are widely used in International commercial transactions or Procurement processes. A series of three-letter trade terms related to common contractual sales practices, the INCOTERMS rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the transportation and delivery of goods.

For all purchase orders the INCOTERMS 2010 shall be applied and the appropriate INCOTERMS indicated in the document.

Detailed information regarding the use of INCOTERMS 2010 can be found on the website [www.iccwbo.org](http://www.iccwbo.org) of the International Chamber of Commerce.

The following INCOTERMS are recommended for UNIDO's purchase orders:

CIF	Cost, Insurance and Freight;
DAP	Delivered At Place;
DDP	Delivered Duty Paid;
EXW	Ex Works;
FCA	Free Carrier.

## 19.3 Transport Insurance

All shipments against purchase orders/contracts with a value exceeding [USD 500.00] (excluding freight) are normally insured against all risks of physical loss or damage attributable to external causes if reported to UNIDO's standard cargo insurance brokerage firm. The insurance covers transportation of the goods from the point of shipment to the final point of delivery.


The Procurement Official/Authorized Official may optionally request the contractor to cover all risks and costs of transportation of the goods to the final point of delivery, by specifying in the bidding documents the relevant INCOTERMS 2010.

All shipments under a purchase order/contract for services and works shall be insured against all risks by the contractor in accordance with the terms and

conditions of such purchase order/contract.

Consignments may be inspected immediately upon receipt by an official authorized by the Project Manager/Allotment Holder for possible loss or damage. The designated official shall take note of any loss or damage on the delivery receipt before signing it, and file written claims against all carriers immediately.


Any damage to or loss of the goods shall be immediately reported in writing by the Project Manager/Allotment Holder to the relevant Procurement Official/Authorized Official, where applicable, who will provide guidance concerning the scope of the documents required for the preparation of the insurance claim and send a preliminary notification of loss and damage to the insurer(s). Upon receipt of the necessary documents from the Project Manager/Allotment Holder, the Procurement Official/Authorized Official, where applicable, shall submit the claim to the insurer(s) for processing.

 to download the insurance claim form [click here](#).

## 20 Asset Management and Inventory

General Support Services maintains, in line with the regulating documents, inventory records and controls movement and disposal of all recorded fixed assets and special property items which were procured with regular budget/operational budget or project funds.

Records of all assets are automatically created upon approval of the relevant purchase order/contract. In accordance with IPSAS, assets are activated upon approval of confirmation of goods receipt by the Project Manager/Allotment Holder.


 For detailed information about asset management, please [click here](#).

### 20.1 Transfer of Title

The title of the TC property should be normally transferred to the project recipients upon completion of the projects in accordance with the project requirements. The title of TC property remains with UNIDO until transfer of title documents have been signed by UNIDO and forwarded to the Project Recipient. Project Managers/Allotment Holders shall continue to be responsible and accountable for the TC property concerned, including possible damage to and loss thereof until the transfer of title procedure has been implemented. Please [click here](#).

## 20.2 Write-Off or Disposal of Property

Write-off or disposal of property which is either surplus to the needs of UNIDO or unserviceable due to obsolescence, normal wear and tear, or loss shall be processed in line with the provisions of Financial Rule 109.1.10, the UNIDO Property Survey Board and the Property Management Manual.

 To view the Terms of Reference of the Property Survey Board please [click here](#).

## Explanation of Terms Used in the Manual

For the up-to-date list please [click here](#)

### **Approver**

User who approves a document in SRM.

### **Arbitration**

Method to resolve a purchase order/contract dispute by submission to one or more arbitrators for a binding judgement; arbitration is normally used to avoid litigation, i.e. court procedures.

### **Authorized Official**

UNIDO staff authorized to procure goods, works and services in accordance with Financial Rule 109.5.2 (a).

### **Award**

Acceptance of an offer with the intention of contracting.

### **Bid**

Formal response from a bidder usually as a response to a RFx event/bidding process.

### **Bidder**

Company or organization submitting a bid as a response to a RFx event/bidding process.

### **Bid Protest**

A complaint against the methods employed or decisions made by UNIDO in the administration of a process leading to the award of a purchase order/contract.

### **Bidding Document**

The formal invitation to potential bidders which consist of the documentation necessary to fully describe the requirements of the procurement action, as well as the procedures for submission of offers.

### **Bill of Lading**

Document under which cargo is carried on board vessels; may be defined as a receipt for goods, signed by a duly authorised person on behalf of the ship-owner. It constitutes a document of title to the goods specified therein.

### **Business Partner**

In the context of SRM: bidder, contractor, vendor, supplier.

### **Call-Off Orders**

Purchase orders against an established LTA.

**Contract/Purchase Order**

Legally binding document/agreement between UNIDO and a contractor, irrespective of the nature of the product, work or service being procured.

**Company**

Business entity or organization or institution providing goods, works and services to UNIDO. The term can also be referred to invitees, bidders, proposers, vendors.

**Creator**

User who initiates a document in SRM.

**Deliverables**

Goods, works or services delivered or to be delivered to UNIDO pursuant to the terms and conditions of a purchase order/contract.

**Evaluation Group**

Assesses the ability of bidders to meet UNIDO's stated requirements and criteria and provide a basis for determining the relative merits of competing bids and proposals.

**Financial Rules**

The Financial Rules govern the administration of all financial activities and transactions of the Organization, except as may otherwise be provided by the General Conference, or expressly and in writing exempted therefrom by the Director-General. The MD/PSM, shall be generally responsible for the administration of the present Financial Rules on behalf of the Director-General. The authority of the MD/PSM may be delegated in writing under the present Financial Rules, as appropriate, to other officials, provided that the prior written approval of the Director-General is obtained.

**Liability**

Condition of being actually or potentially subject to an obligation, a condition of being responsible for a possible or actual loss, penalty, evil, expense, or burden.

**Liquidated Damages**

A provision contained in the purchase order/contract used when the time of delivery or performance is of such importance to the Procurement Official/Authorized Official that he/she may expect to suffer damages for non-performance. Under such provision the contractor may be required to pay damages e.g. for each week of delayed delivery.

**Litigation**

A law suit, legal action, including all proceedings therein. UNIDO is immune from legal action in courts. Disputes with contractors are resolved either by negotiation, conciliation or arbitration (see UNIDO GCC).

**Offer**

A quotation, bid or proposal submitted by a bidder.

**Performance Security**

A written instrument normally issued by a bank or an insurance company in favour of UNIDO to assure fulfilment of the contractor's obligations.

**Procurement Official**

Procurement Services staff with delegated procurement authority. The term may, where the context so requires, also mean the Authorized Official.

**Project Purchaser**

SRM role for Decentralized Procurement.

**Project Team**

Project Team consists of the Project Manager/Allotment Holder, his/her Assistant(s) and other individuals having authorized access to SRM/MM.

**Remedy**

The means by which a contractual right or obligation is enforced or the violation of such a right is prevented, reduced or compensated.

**Substantially Responsive**

A valid offer which materially conforms to the requirements, criteria, specifications contained in the bidding documents.

**Segregation of Duties (Four Eyes Principle)**

Internal control mechanism to ensure that one individual does not participate in all operational steps in the procurement process.

**Sustainable Procurement**

Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.

**Strategic Purchaser**

SRM role for Procurement Services staff.

**RFx Event**

Synonym for all bidding events.

**Warranty**

A promise or representation made by the contractor regarding the goods or services provided under the purchase order/contract. A warranty can be expressed or implied and is legally enforceable



## List of Commonly Used Abbreviations

For the up-to-date list please [click here](#)

AH	Allotment Holder
AI	Administrative Instruction
BAFO	Best and Final Offer
BOQ	Bill of Quantity
BRP	Bureau for Regional Programme
CTA	Chief Technical Adviser
CC	Cost Center
DG	Director-General
DGB	Director-General Bulletin
DSA	Daily Subsistence Allowance
ERP	Enterprise Resource Planning
EOI	Call for Expression of Interest
GCC	General Conditions of Contract
HQ	UNIDO Headquarters Vienna
INCOTERMS	International Commercial Terms
ISO	International Organization for Standardization
KMC	Knowledge Management and Collaboration
ITB	Invitation to Bid
IPSAS	International Public Sector Accounting
Standards	
LTA	Long Term Agreement
MD	Managing Director
MOSS	UN Security Minimum Operating Security
Standards	
NPC	National Project Coordinator
MM	Material Management
OSS	Operational Support Services Branch
PC	Procurement Committee
PO	Purchase Order
PRS	Procurement Services
PSM	Programme Support and General Management
Division	
PTC	Programme Development and Technical
Cooperation Division	
RFO	Request for Offer
RFP	Request for Proposal
RFQ	Request for Quotation
ROI	Request for Information
SAP	Name of ERP system
SC	Shopping Cart
SOW	Statement of Work
SRM	Supplier Relationship Management
TOR	Terms of Reference
System	
UNCITRAL	United Nations Commission on International
Trade Law	
UNGM	United Nations Global Market Place
UNSPC	United Nations Standard Products and
Services Code	
UR	UNIDO Representative
VAT	Value added Tax
WBS	Work based structure