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Status report on the Common Procurement Team of FAO, IFAD and WFP

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For: Information

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I. Background

1. The Rome-based agencies (RBAs) of the United Nations – the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) – are actively responding to the challenging calls from their respective governing bodies to increase collaboration, enhance synergies and improve administrative efficiency.
2. Numerous recommendations from the governing bodies have focused on the strategic aspect of interagency collaboration. The document “Collaboration among the three Rome-based United Nations agencies”, jointly prepared in 2007 and updated in 2009 (IFAD references EB 2007/92/R.52/Rev.1 and EB 2009/96/R.40) encouraged efforts to enhance cooperation among FAO, IFAD and WFP in areas of common interest. With the 2009 version, the Inter-Institutional Coordination Committee (IICC) was called upon “to guide and maximize initiatives for collaboration, and ensure that all three agencies reap the full benefits and gain from the efficiencies achieved.” Members of the IICC are the Assistant Director-General, Corporate Services, Human Resources and Finance Department (FAO); the Deputy Executive Director and Chief Operating Officer (WFP); and the Chief Finance and Administration Officer (IFAD). The committee is supported by the members’ respective divisions.
3. The subsequent document, “Directions for collaboration among the Rome-based agencies” (IFAD reference EB 2009/97/R.39), presented at the IFAD and WFP Executive Boards and FAO Council, sets out the framework for immediate and medium-term collaboration at the global, regional, national and local levels, based on four pillars: (i) policy advice, knowledge and monitoring; (ii) operations; (iii) advocacy and communication; and (iv) administrative collaboration.
4. At WFP, the Executive Board (WFP reference WFP/EB.2/2009/11-C) encouraged the organization to continue to enhance its cooperation with FAO and IFAD based on the four-pillar framework, focusing on the five key areas for future collaboration as outlined in the document.
5. At FAO, the Council welcomed the document (FAO reference CL 137/INF/10) as a good basis for strengthening future partnerships and collaboration among the RBAs. Appreciation was expressed for the collaboration on administrative and processing work. It was noted that the commitment to establishing a joint procurement unit functioning as one for the three agencies was in line with the recommendations of the *Root and Branch Review* and management’s commitment to quantifying efficiency savings resulting from the RBA collaboration.
6. Under the pillar of administrative collaboration, the RBAs have launched several successful initiatives in strategic areas such as information and communications technologies, facility management, human resource management, security, treasury operations and procurement.
7. The present paper briefly focuses on the results obtained in the area of procurement, after nine months of intense work by the Common Procurement Team of FAO, IFAD and WFP.

II. About the Common Procurement Team

8. The proposal to establish a Common Procurement Team (CPT) was originated by the procurement division/units of the RBAs in 2009 in response to calls from Member States to streamline administrative procedures and, where appropriate, share administrative services.

9. The CPT proposal emerged after more than four years of intensive and successful collaboration among the procurement units of the RBAs. The collaboration in those pioneering years was mainly focused on tenders conducted jointly on an ad hoc basis but with good results, such as reduced costs of the services procured and fewer transaction costs. After this promising experience, the procurement units seized the opportunity to go beyond "the exception" and to implement their governing bodies' recommendations on administrative collaboration and enhanced efficiency.
10. The procurement units of the RBAs elaborated the long-term vision of a common team operating under common rules and procedures for procuring a portfolio of goods, works and services estimated at a maximum of US\$100 million per year. With the CPT proposal, joint procurement among RBAs would become "the standard" as opposed to "the exception", systematizing the opportunities of well-planned joint procurement.
11. In December 2009, the IICC expressed its full support for the CPT concept and initiative. At IFAD, the proposal was also endorsed by the Contracts Review Committee and the Operations Management Committee, and cleared by the Office of the General Counsel.
12. The initial vision was enriched with constructive feedback from the internal committees and units and, through an iterative process of refinement, reflected in a CPT charter describing the expected benefits of the initiative, the operative modalities of the CPT, the implementation strategy based on a gradual approach and a one-year pilot project.
13. A joint announcement related to the establishment of the pilot CPT was eventually issued by the IICC in January 2010. The pilot CPT started operating on 5 January 2010, hosted by FAO in a common office space in its procurement services area. The team, composed of a few members from each agency, focused immediately on the identification of goods and services to be procured under this pilot project. The pilot was ambitious, entailing no increase in staffing and a large procurement plan of about US\$25 million within one year, and being measured against key performance indicators as a basis for eventual assessment.

III. Status of CPT operations in the third quarter of 2010

14. The CPT has the potential to become a centre of excellence in procurement practice for these three agencies in Rome, bringing together the best resources, tools, expertise and experience of each one. Nine months into the pilot project, there is confirmation that this goal of excellence can be reached with significant improvements being made in the procurement operations of the RBAs.
15. The coordination effort is becoming more productive, with an increasing volume of activities being carried out jointly. Representatives of the three RBAs meet at least three days a week in the common space at FAO, working together with common documents, templates and agreed procedures on joint tenders.
16. The CPT is further developing the potential of joint initiatives, and a full picture of what could be done in the team's future is taking shape as this learning-by-doing process develops.
17. Relevant progress has been registered against the four main objectives defined by the CPT for this pilot year, on the basis of the responsibilities defined in the approved CPT charter:
 - (a) **Improvement of procurement planning.** The CPT has defined an annual plan of joint tenders which is constantly updated as new opportunities and requirements emerge from the client divisions of the three agencies. A more proactive and institutionalized procurement

planning process is currently being designed. Detailed individual plans are also prepared for each joint CPT tender, and discussed between the CPT and the requesting divisions to agree on milestones of progress, procurement method, evaluation strategy, contract alignment, and tender documentation required.

- (b) **Joint bidding activities.** The original plan for 2010 called for 12 joint tenders with an expected value of US\$25 million. To date, the joint bidding activities of the CPT have reached US\$28.6 million of the expected value (see the annex) over a total of 17 common tenders. Procurement for a total of US\$1.5 million has been already jointly awarded. The estimated savings for the RBAs are envisaged in the range of 3 per cent to 5 per cent on the volume tendered. It is foreseen that the actual savings will not be structural (i.e. fewer procurement staff) but rather derivative (i.e. lower unit prices based on economies of scale and optimization of asymmetric market conditions), which would result in the savings being recognized by the individual budget lines of the client divisions, outside of the CPT.
- (c) **Opportunities for harmonization and standardization.** One of the CPT objectives is to identify harmonization and standardization opportunities in various aspects of the procurement process, including procedures, general terms and conditions, IT tools and document templates. The CPT is also closely following progress of the High-Level Committee on Management Procurement Network Working Group on Harmonization, as well as the experience of other common procurement teams in Geneva (Common Procurement Activities Group) and at the country level (the One United Nations experience in pilot countries, coordinated by the United Nations Development Group-Development Operations Coordination Office).
- (d) **Alignment of contract expiry dates for future tenders.** Another CPT objective is to manage all contracts of common interest and facilitate the alignment of contract expiry dates for preparing new joint tenders. The agencies are currently working on a review of their contract information database. The next step is to combine the information and identify other opportunities of common tendering for 2011–2012. A plan will be finalized before the end of the year.

IV. Communication with stakeholders

- 18. The CPT has published two issues of its quarterly electronic newsletter to inform management and staff about progress made on the plan of work. A third newsletter is under preparation. The CPT reports to the IICC periodically on the progress made in its operations.
- 19. A presentation on the CPT experience was delivered at the Senior Management Consultative Meeting (IFAD, April 2010) and at two conferences – the High-Level Committee on Management Procurement Network meeting in Budapest (March 2010) and the Network on Procurement Practitioners in International Organisations (NPIO) meeting in Rome (September 2010). Information about the CPT has also been presented to other international organizations based in Italy, such as Bioversity International, which has expressed interest in joining the CPT in some tender initiatives.

V. Key performance indicators

- 20. The CPT is gathering data for key performance indicators (KPIs) to measure progress against the **four main objectives of the pilot CPT workplan** (planning; joint tendering; harmonization and standardization; contract alignment).

Progress is also measured along **four dimensions** (efficiency, effectiveness, quality and sustainable procurement). Client divisions are asked to provide feedback on activities completed under the CPT umbrella to be reflected in the KPIs.

21. The KPIs defined have also been combined in a composite index, named "common procurement success index", which expresses the achievements of the CPT as a percentage. The team is refining these performance tools in order to obtain objective and accurate measurements.

VI. CPT workshop and final report on CPT pilot

22. The CPT experience is an experiment that is opening a new path in the administrative coordination of the RBAs. As such, the pilot is facing many challenges, with successes and opportunities for improvements.
23. A workshop to assess the experience of the pilot year and to define the strategy for the future of the CPT is planned for November 2010. Directors of procurement of the three RBAs will be invited to participate in a strategic discussion resulting in recommendations to the IICC for the CPT for the coming years.
24. At the end of the pilot year, the experience and the performance of the CPT will be evaluated against the KPIs and formally reported to each agency. In addition, the CPT will perform a self-assessment and a jointly-funded independent assessment will be commissioned. Based on the combined results, the RBAs will decide if the CPT will operate beyond the pilot year.

VII. Early lessons learned

25. The value of the CPT pilot project goes beyond the administrative efficiency and the cost savings that are being achieved. The CPT pilot is a precious **learning experience** in the area of administrative coordination, and the lessons learned from its success and challenges are relevant for both the procurement units and the client divisions of the RBAs. It also serves to identify other possible areas of joint collaboration. While the successes achieved confirm the appropriateness of the approach adopted, the challenges offer an opportunity to learn new lessons on how the approach can be improved and refined for the future in all administrative areas of coordination.
26. The experience up to the third quarter of 2010 has led to the following preliminary considerations:
 - (a) **Legal support.** It is important and beneficial to secure the involvement and engagement of the legal office of each organization. It will be particularly important when each RBA reviews and evaluates the need to develop common or standardized procurement contracts and terms and conditions.
 - (b) **Client engagement.** It is also crucial to ensure the timely engagement and participation of client divisions in defining and respecting the planning of joint tenders, in formulating specifications, and in evaluating bids and proposals.
 - (c) **Multiplier effect of joint procurement.** The CPT experience is acting as a catalyst in facilitating collaboration among those client divisions of RBAs involved. Facility management, human resources, information and communications technologies, security, and treasury are some of the areas in which collaboration and the exchange of experience have been greatly reinforced.
 - (d) **Complexity.** Combining the requirements of the three organizations for joint tenders may increase the complexity of those tenders to an unmanageable level. A complexity check and risk analysis will be

introduced when planning a tender, in order to identify implications and mitigation measures. In some cases the differences among the RBAs are still so wide that forcing a joint tender may be counterproductive.

- (e) **Staffing resources for future challenges.** The focus of the pilot year has been on enhancement of procurement planning and on joint tendering. These activities have been absorbed by the procurement divisions of RBAs without increasing their staffing levels. However less progress has been made in the areas of harmonization and standardization. In order to make real progress in these areas, it is necessary to evaluate the staffing implications, namely to identify the resources that are needed in order to reap more and better benefits in the coming years.
- (f) **Capturing lessons learned.** The performance monitoring of the procurement process is useful for evaluating progress in terms of savings, effectiveness and efficiency, but attention should also be paid to more qualitative considerations, collecting feedback from the client divisions and capturing lessons learned during the pilot year.
- (g) **Sharing long-term agreements:** The sharing of existing long-term agreements offers an opportunity to save on administrative costs, while paving the way for planning future joint tenders.

Common procurement platform of goods and services for 2010

(In thousands of United States dollars)

<i>Common area of interest for headquarters</i>	<i>Status of common initiatives</i>	<i>Estimated value of current tendering activities for all RBAs (2010 only)</i>
IT services	Tenders in progress	3 000
IT equipment and supplies	Tenders in progress	5 000
Human resources training and consultancies	Tenders in progress	1 000
Facility management	Tenders in progress	7 500
Utilities	Tenders in progress	2 200
Architectural and engineering services	To be verified	n/a
Security	Some joint purchases	100
Mail and courier	Tender completed	600
Printing, graphic, proofreading and copy services	Tender in progress	1 000
Staff services	Tender in progress (petrol cards)	3 000
Mobile communication services	Tender in progress	3 000
Furniture	Tenders in progress	900
Office supplies and printing consumables	Tender in progress	1 000
Actuarial services	Tender in progress	180
Total		Estimated 28 480

Other potential areas of joint tendering in 2011-2012

- Conference and events
- Security
- Insurance
- Finance and treasury services
- Shipping and transportation
- Medical plan
- Satellite communications
- Travel services