

## Common Glossary of Procurement Terms

Term	Description or explanation
arbitration	A method that is agreed to in advance by the parties to a contract to resolve a dispute by submission to one or more neutral third party arbitrators for a binding judgement; arbitration is normally used to avoid litigation, i.e. court procedures.
award	The action taken by the buyer based on the evaluation of offers, to approve the selection of the supplier for a specific contract.
best and final offer	A tool that can be used during the final evaluation phase of a procurement using an RFP when at least two qualified suppliers remain within a competitive range. It is a term that indicates to the supplier that the buyer does not intend to negotiate after offers are received so the supplier should submit final pricing and deliverables.
bid	An offer in response to an Invitation to Bid or an offer in response to an electronic auction
bid security (bid bond)	A security from a supplier securing obligations resulting from a contract award with the intention to avoid: the withdrawal or modification of an offer after the deadline for submission of such documents; failure to sign the contract or failure to provide the required security for the performance of the contract after an offer has been accepted; or failure to comply with any other condition precedent to signing the contract specified in the solicitation documents.
bidder, proposer, offeror	An entity that submits an offer in response to a solicitation. Normally, the term bidder is used to refer to the entity responding to an ITB, RFQ or an electronic auction; the term proposer is used to refer to the entity responding to an RFP.
bill of lading	A carrier's contract and receipt for goods it agrees to transport from one place to another and to deliver to a designated recipient (consignee).
bill of quantities	PPH: A description and a quantitative estimate of all materials, and/or supplies, which will be required for a proposed construction project or production of equipment (usually custom designed), provided to bidders for pricing purposes.
blanket purchase order	A special purchase order typically designed to leverage repetitive requirements and emergency repairs involving low value goods and services, while reducing the administrative workload.

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buyer	The individual or personnel designated by an authorized official to undertake all activities necessary for the procurement of goods, works, or services in accordance with the applicable regulations, rules, policies, and procedures. The term buyer is also used to denote the UN entity that is a party to the contract.
catalogue	An organised list of goods or services specifying the description, price, unit of measure and other attributes. A catalogue may be available as a document or in electronic format.
collaborative procurement, common procurement	A procurement arrangement in which several UN organizations combine their efforts to undertake procurement in cooperation or share the outcome of a procurement process, thereby achieving benefits for the group in its entirety. The objective of collaborative procurement is to achieve reduced price or better service through economies of scale and to reduce inefficiency and duplication across the UN organizations.
competitive bidding	A procurement method in which offers from competing suppliers are invited by open advertisement and provided with the scope, specifications, and terms and conditions of the proposed contract as well as the criteria by which the offers will be evaluated. The objectives of competitive bidding are to obtain goods or services at the lowest cost or best value through open and fair competition.
consignment	(1) An agreement with a supplier to stock goods at a customer's location with the goods remaining the property of the supplier until used or sold; (2) A shipment that is handed over to a common carrier for transport and delivery.
contract	In the context of UN procurement, a contract is a written, legally binding agreement between the organization and a supplier, which establishes the terms and conditions, including the rights and obligations of the organization and the supplier. A contract may take many different forms, e.g. agreement, purchase order, memorandum of understanding, letters of assist.
contract administration	All actions undertaken after the award of a contract relating to the administrative aspects of the contract, such as contract amendment, contract closure, record retention, maintenance of the contract file, and handling of security instruments (e.g., performance security).

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contract management	The ongoing monitoring and management of the supplier's performance regarding the promised goods or services, as well as assuring compliance with all other terms and conditions of a contract, such as price and discounts. It includes managing the relationship between the supplier, the procuring unit, the requisitioner and/or the enduser, feedback to the supplier regarding its performance, as well as dispute resolution, if necessary.
contract modification	Any written change in the terms of the contract. Contract modifications only become effective when executed by both parties.
contractor	Any party to a procurement contract with the organization. A contractor may take various forms, including an individual person, a company (whether privately or publicly held), a partnership or a government agency.
cost estimate	An approximate calculation of charges or costs to supply goods or services.
default	A failure by a contracting party to meet one or more of its obligations under the contract.
delivery time	The time taken to deliver goods from the date of contract to the time when the supplier makes the goods available to the buyer at the agreed place as per the delivery terms.
disposal	The process of removing something from a location, typically the removal of scrap, surplus, excess, obsolete and waste items from an organization's premises.
e-procurement	Electronic procurement that occurs when the activities of the purchasing process are conducted electronically, typically over the Internet, to shorten the cycle time and lower the transaction costs of the acquisition process.
exigency	An exceptional, compelling, emergent need or situation of force majeure 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, if not addressed immediately.
expression of interest	A response to a Request for Expression of Interest expressing interest in participating in a Solicitation.
fixed price	A contract term which indicates that the price is set at a certain amount and is not subject to change unless the purchaser requests a change in specifications, delivery or term. Generally, a purchaser's request for a change to specifications, delivery or terms in a fixed price contract would only occur in response to an unexpected change in specifications or a critical circumstance that would impact the supplier's ability to fulfill the contract in accordance with the original terms.

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force majeure	A contract provision under which major (and usually uncontrollable) events may excuse a party, in whole or in part, from the performance of its contractual obligations; e.g., fire, war, or severe weather. This is a standard clause in contracts of the organizations of the United Nations Common System.
general conditions of contract	The General Conditions of Contract (sometimes referred to as 'general terms and conditions') are a set of standard contractual provisions which are incorporated into virtually every commercial contract that the UN, including its Funds and Programmes, concludes. The General Conditions cover a range of issues, including the contractor's status vis-à-vis the Organization, the use of sub-contractors, indemnification, intellectual property rights, use of the name, emblem or seal of the United Nations, termination and events of force majeure, dispute settlement, privileges and immunities, standards of conduct, and amendments.
global compact	The voluntary international corporate citizenship network initiated by the UN to support the participation of both the private sector and other social actors to advance responsible corporate citizenship and universal social and environmental principles to meet the challenges of globalisation. It is based on 10 principles related to human rights, labour, environment and anti-corruption. See <a href="http://www.globalcompact.org">www.globalcompact.org</a> for more information.
goods	Objects of every kind and description including raw materials, products and equipment and objects in solid, liquid or gaseous form, and electricity, as well as services incidental to the supply of the goods if the value of those incidental services does not exceed that of the goods themselves.
guarantee	A promise or a pledge, i.e. something given or existing as security such as to fulfil a future engagement or a subsequent condition (e.g. bank guarantee). It can also be a provision in a contract by which one person promises to pay the obligation of another person in case that person fails to pay debts or perform a specific duty.
incoterms	Incoterms rules are standardized and widely-recognized trade terms, prepared by the International Chamber of Commerce (ICC), to be included in contracts for the sale of goods, providing standard contractual provisions that clarify the costs, risks and responsibilities of the parties to the contract, particularly in relation to the shipment and delivery of the goods from sellers to buyers. Refer to the ICC website ( <a href="http://www.iccwbo.org">www.iccwbo.org</a> ) for information about

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	these terms and their definitions which are copyrighted by the ICC.
intellectual property	Creations or inventions of the mind, including, but not limited to, copyright (such as designs, artwork, software, data, original text, maps), trademarks (such as symbols and names) and patents (such as drug formulations, hardware).
inventory	Any material, component or product that is held for use at a later time.
invitation to bid	A formal method of solicitation where prospective suppliers are requested to submit a bid for the provision of goods or services. Normally used when the requirements are clearly and completely specified and the basis for award is lowest cost.
invoice	Supplier's demand for payment setting out the amount for payment by the buyer in respect of goods delivered or services rendered.
lead time	The time that elapses from placement of an order until receipt of the order for goods, services or works, including time for order transmittal, processing, preparation and shipping.
letter of intent	A pre-contractual document, usually in the form of a letter and sometimes signed by both parties, used to express expectation of contract formation in the future and to ensure that certain basic agreements are clearly understood by both parties. When properly drafted, the LOI should create no binding obligation to either party
liability	Any obligation incurred as a result of law, rule or agreement; being legally obliged and responsible; a debt or an obligation to another party.
life cycle cost, whole life cost, total cost of ownership	The sum of all recurring and one-time (non-recurring) costs over the full life span or specified period of a good, service, structure, or system. It includes purchase price, installation cost, operating costs, maintenance and upgrade costs and remaining residual or salvage value at the end of ownership or its useful life.

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liquidated damages	A sum agreed upon during the formation of a contract which will be paid by the breaching party in the event of a defined breach of contract (such as non-performance or delay in delivery). The amount of Liquidated Damages must be arrived at in good faith and must be based on an estimate of the actual damage that will ensue from the breach.
logistics	The process of planning, implementing and controlling the efficient, cost-effective flow and storage of goods and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.
long term agreement	A written agreement between an organization of the United Nations system and a supplier that is established for a defined period of time for specific goods or services at prescribed prices or pricing provisions and with no legal obligation to order any minimum or maximum quantity.
market research	The process of collecting and analyzing information about capabilities within the market to satisfy the organization's needs, in order to identify suppliers, assist in the development of specifications, TORs and SOWs, ascertain pricing information, and obtain information on available technology.
maverick buying	Buying goods or services 'off contract', i.e. without using contracts that have been put in place for the respective goods or services.
memorandum of understanding	As used within the UN System, a Memorandum of Understanding is either (i) an informal agreement outlining the parties' expectations, commitment and longer-term goals in broader rather than specific terms or (ii) a legally binding contract, generally used when the contracting party is a non-commercial entity. The language of the MoU may determine whether it is legally binding on either party.
net present value	Compares the value of a dollar today to the value of that same dollar in the future, taking inflation and returns into account. If the NPV of a prospective project is positive, the investment adds value and it may be accepted. If it is negative, the project should be rejected.
offer, tender, submission	A generic term for bids, quotations and proposals, received from a Supplier in response to Solicitation Documents.
option	A unilateral right in a contract, by means of which, for a specified time, the buyer may elect to exercise a right such as to purchase additional supplies or services called for in the contract, or to extend the term of the contract.

<b>Term</b>	<b>Description or explanation</b>
outsourcing	<p>An organisational decision, based on conscious and deliberate exercise of choice made at country, regional or HQ level, to engage an external business or private entity to deliver part of the non-core activities e.g., IT services, vendor creation services, etc., that currently are performed internally, reached as a result of one or several of the following business considerations:</p> <ul style="list-style-type: none"> <li>- Economic consideration - outsourced solutions are less costly / more flexible spend</li> <li>Economies of scale</li> <li>- Skills / equipment shortage</li> <li>- Assessment that there is no need to have strategic control of outsourced area</li> <li>- Desire to free up staff time for staff to focus on more strategic and value adding activities</li> <li>- Classification resulting in routine or necessary activities being outsourced</li> </ul>
performance security (performance bond)	A financial instrument that is intended to provide the UN with security against failure by a supplier to perform its obligations and serves as a source of compensation for a supplier's failure to fulfil the terms of a contract.
procurement	The acquisition through purchase or lease of real property, goods or other products (including intellectual property), works or services.
procurement review committee, review committees on contracts, or committee on contracts	Committee established for the independent review of proposed contracts over certain thresholds. The review is conducted to verify that all procurement rules, policies and procedures are met, and that the organization's interests are properly protected.
proposal	An offer in response a Request for Proposal
purchase order	A type of contract that documents the purchase of goods and/or services.
purchasing card	A payment method whereby requisitioners are empowered to deal directly with suppliers for low-dollar, high-frequency purchases by using a credit card issued by a bank or major credit card provider. The cards reduce paperwork and enable purchasing and accounts payable personnel to focus on more value-added activities.
quotation	An offer in response to a Request for Quotation. However, if it is in response to an enquiry, it is simply a statement of price and availability.
receipt of goods, goods receipt note	Official acknowledgement of receipt of goods
remedy	A means of relief that either party can pursue to compensate for the other party's non-performance or non-compliance with a contract term or condition.

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request for expression of interest	An advertisement to identify suppliers that wish to participate in a forthcoming solicitation.
request for information	An instrument to conduct a market survey in order to obtain information from the market that can be used to identify available or potential solutions for fulfilling identified needs which may include information on cost and delivery time.
request for proposal	A formal method of solicitation where prospective suppliers are requested to submit a proposal for the provision of goods, works or services, based on the Specifications, Scope of Work, or Terms of Reference included in the solicitation documents. Normally used in cases where the requirements are complex; cannot be clearly or completely specified, where detailed technical evaluations are to be performed, and/or where pricing or cost may not be the sole basis of award.
request for quotation	An informal method of solicitation whereby suppliers are requested to submit a quotation for the provision of goods or services. Normally used for standard, off-the-shelf items, where the value of the procurement falls below the established threshold for formal methods of solicitation.
requisition	A written or computerized request from an internal user/customer for the fulfillment or procurement of goods, services or works.
requisitioner	The person or personnel initiating a purchase requisition, i.e. a request for goods, works or services.
residual value	The value of an item which has served its functional purpose but retains some value as in trade-in or scrap.
sealed offer	An offer which has been submitted in a sealed envelope to prevent its contents from being revealed or known before the deadline for the submission and opening of all offers.
security instruments	Financial instruments that are intended to provide the UN with security against expenses and losses that result from a failure by a supplier to perform its obligations. They are intended to ensure that funding is available to compensate the UN for such failure and are not intended as a punishment. The main Security Instruments are Bid Security and Performance Security. A security can take the form of bank guarantees, surety bonds, stand-by letters of credit, cheques on which a bank is primarily liable, and cash deposits.
segregation of duties	An internal control mechanism used to assure that no single individual or organizational unit given responsibility for more than one related function.



<b>Term</b>	<b>Description or explanation</b>
services	Work, duty or labour performed by a contractor pursuant to a contract. Rendering of services may involve the associated provision of utilities or facilities if specified in the terms of the contract. Typical examples of services include security, catering, cleaning, travel management, event management, IT services, training, freight forwarding, and consulting.
single source	Procurement of products or services from one selected supplier, even though there are other suppliers that provide similar products or services.
sole source	A procurement term employed when there is no competitive marketplace for the requirement, i.e. the product or service needed is available only from one source.
solicitation	Generic term for a request to suppliers to offer a bid, quotation or proposal
solicitation documents	Documents issued to describe procurement requirements and to invite Suppliers to submit a bid, quotation or proposal.
sourcing	The process of identifying suitable suppliers that could provide required products or services for the acquiring organization
specifications	A description of the technical requirements for a material, product or service. Usually referring to the defined requirements for materials or products, but can also relate to the requirements for services (Terms of Reference), or works (Statement of Work)
standardization	The process of agreeing on a standard specification for a specific product or line of products. Usually conducted to achieve economies of scale, compatibility with other products, facilitation of operation, maintenance, and repair of already purchased goods, etc. Standardization could result in sole or limited source situations; this should be a consideration in the decision for standardization.
statement of work	Requirement specifications for work assignments outlining the specific services a contractor is expected to perform, generally indicating the type, level and quality of service, as well as the time schedule required. Usually accompanied by a Bill of Quantities (BOQ) and/or drawings/designs
stewardship	The responsibility of an organization for managing the funds and resources entrusted to it by its member states and other donors in an ethical and transparent manner, and for the welfare and in the interest of the designated beneficiaries of the funds and resources entrusted.

<b>Term</b>	<b>Description or explanation</b>
subcontractor	A party that carries out work for a contractor as part of a larger project.
supplier, vendor	An entity that potentially or actually provides goods or other products (including intellectual property), services and/or works to the organization. A supplier may take various forms, including an individual person, a company (whether privately or publicly held), a partnership, a government agency or a non-governmental organization.
sustainable procurement	Procurement is called sustainable when it integrates requirements, specifications and criteria that are compatible and in favour of the protection of the environment, of social progress and in support of economic development, namely by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs.
terms of reference	A description of the scope of work for services generally indicating the work to be performed, the level of quality and effort, the timeline and the deliverables.
transparency	A principle implying a process by which reliable, timely information about existing conditions, decisions and actions relating to the organization's activities is made accessible, visible and understandable
vendor	see supplier
warranty	A warranty is an assurance (expressed or implied) by the supplier that the material, product, or workmanship being sold is as represented or promised, e.g. free of defects, or will be repaired or replaced free of charge or according to conditions set out in the warranty.
works	All activities associated with the construction, reconstruction, demolition, repair or renovation of a building, structure or activities such as site preparation, excavation, erection, building, installation of equipment or materials, decoration and finishing, as well as services incidental to construction such as drilling, mapping, satellite photography, seismic investigations and similar services provided pursuant to the procurement contract, if the value of those services does not exceed that of the works themselves