**Sourcing and Market Research**

1. Inclusive sourcing for procurement is essential to effective competition as well as fairness, integrity and transparency.

The following are key components:

1. Define the sourcing method

1. Conduct market research
2. Identify suppliers
3. Appraise and manage suppliers

**Sourcing and Market Research**

1. Before starting any activities, it is important to have a clear understanding of sourcing objectives. Questions that may require consideration include:

1. Is the sourcing for a stand-alone procurement activity?
2. Do we want to establish a framework agreement (also called a long-term agreement)?
3. Do we need to identify global, regional or local suppliers?
4. Are we dealing with a worldwide or regional market?
5. What is the budgeted amount for the goods, works or services?
6. What is the risk associated with the proposed procurement action?
7. Is prequalification the most suitable approach?

1. Setting clear objectives is strongly recommended to identify the level of market analysis and the approach to identification of a supplier, including whether it is more suitable to pursue a prequalification or post-qualification process.

**Market Research**

1. The level of market research depends on the risk and value of project requirements:

* 1. Small or standard procurement activities (e.g., purchasing off-the-shelf goods): limit research to identifying eligible suppliers and establishing a realistic delivery schedule and price list
  2. Large and/or high-risk procurement activities: requires broader sourcing and more detailed market understanding. Conduct a thorough market analysis of five key areas including, but not limited to: market structure, competition, supply chain management, substitute goods and services, and agency value as a customer.

1. Each of the five areas of market analysis can be used, depending on information required:

1. Market structure analysis provides information such as:

* 1. Number of suppliers in the market
  2. Size of suppliers in terms of production capacity and market share
  3. Geographical distribution of suppliers
  4. Level of market concentration
  5. Whether horizontal or vertical integration of suppliers exists
  6. Identification of market leaders and followers
  7. Level of product differentiation

1. Competition analysis provides information such as:

* 1. The degree of supplier competition, and whether or not suppliers seek to excel in quality, price, service or other aspect(s)
  2. Barriers to market entry
  3. Exit barriers
  4. Competitive advantage of a supplier
  5. Market trends
  6. Relevant government restrictions

1. Supply chain analysis provides information such as:

* 1. Complexity of supply chains
  2. Stability and vulnerability
  3. Level of dependency on other suppliers for key components
  4. Each member’s contribution to the end product
  5. Delivery and transportation methods

1. Substitute goods and services analysis provides information such as:

* 1. Current availability of goods and services that meet the needs of the end user
  2. Substitutes under development that may alter the future market

1. Analysis of agency value as a customer provides information such as:

* 1. Agency market share as a customer, and relevancy as a player
  2. Attractiveness of the agency as a customer

1. In addition to these five areas, other factors, such as relevant legal, political or economic considerations, may also be part of the analysis.

**Identification of Suppliers**

**Sources for supplier identification**

1. Apart from market research, which will help in the supplier identification process, business units can use other internal and external sources to identify suppliers, including existing lists of registered suppliers, and/or those identified through in the UN Global Marketplace (UNGM) and/or business seminars, where applicable; an expression of interest for commonly procured goods or services or through a prequalification process.

1. The following resources are available:
2. [United Nations Global Marketplace](http://www.ungm.org/) (UNGM), a supplier database available to all UN procurement personnel
3. Procurement Support Unit, Bureau for Management Services at UNDP
4. [DACON](http://tenders.dgmarket.com/dacon/) (Data on Consultants), a database of consulting companies maintained by the World Bank and the Inter-American Development Bank
5. Consultations with other UN entities that have purchased similar inputs
6. [Thomas Register](http://www.thomasnet.com/), a comprehensive online resource for companies and products manufactured in North America
7. [Kompass System](http://www.kompass.com/?_redirectState=false), a database with more than 23 million references to the products and services of over 1.8 million companies
8. [Prosavvy](http://www.psavvy.com/), an online community of consulting and professional service providers
9. Trade publications, directories, supplier catalogues and professional journals
10. Other procurement-related websites
11. The UNGM, formerly known as the United Nations Common Supply Database, is the main supplier database for 15 UN entities, including UNDP. It offers comprehensive supplier information, including contact and company details, financial information, export volume, previous UN experience, and registered products and services. Improved search facilities allow for greater accuracy in identifying appropriate suppliers based on products, geographical areas and the United Nations Common Code System, among other options. Features include shortlisting and data export facilities, as well as a discussion forum. An Ineligibility List contains suppliers subject to sanctions that affect their eligibility. For further information, see link Section 7.

1. Supplier registration with the UNGM is not mandatory; UNDP contracts may be awarded to non-registered suppliers. In either case, each UNDP business unit is responsible for conducting a proper background check based on specific procurement requirements.

1. Offices are encouraged to maintain a roster of qualified suppliers to accommodate specific needs. When identifying suppliers, procurement officers must undertake due diligence to ensure that establishing a business relationship with a supplier would be in the best interest of UNDP. A crucial first step is verifying a supplier’s existence through a simple physical confirmation of their registered address.

**Advertisement for Business Opportunities**

1. Advertisement refers to the dissemination of upcoming solicitation information through a request for information, call for expression of interest, prequalification announcement or open announcement to encourage competition.

1. **Request for information**
2. A request for information is a cost-effective method to continually update a UNDP office’s supplier database and to deepen understanding of markets and existing technologies. Written communications by the supplier provide the company profile, and information about products, services, resources, qualifications and experience.

1. **Expression of interest**
2. The call for an expression of interest is a notice used to assess interest in an upcoming solicitation for goods, works or services. Suppliers are requested to express interest and provide information about products, services, resources, qualifications and experience before a fixed deadline. This method may be used to continually update a UNDP office’s supplier database, where procurement planning has forecasted future requirements of specific goods, services or civil works. Information provided by interested suppliers is assessed, and depending on the complexity of the requirement, may lead to either of the following: (a) a long list of suppliers that may be further subjected to detailed review of eligibility and qualification at the time of solicitation; or (b) if the required documents are very specific and detailed, a shortlist of suppliers considered prequalified and therefore invited to submit detailed offers at a later time.

1. **Prequalification of suppliers**
2. Particularly for high value or complex procurement requirements, a solicitation may be limited only to suppliers who meet established criteria for capacity and resources, based on a prequalification process.    The prequalification process aims to ensure that solicitation documents are extended only to those with adequate capacity and resources to provide the requisite goods, services or perform civil works.

1. Because the solicitation process will be limited to only the prequalified suppliers, it is important that prequalification announcements should be opened to an international audience; provide a brief description of the goods, civil works and/or services to be procured; outline contract terms including applicable UNDP General Terms and Conditions; and specify eligibility requirements. UNDP offices must allow adequate time for potential suppliers to prepare responsive applications for the specific procurement activity.
2. It is advisable to require documents such as registration paperwork, audited financial statements, evidence of a track record, lists of clients, annual reports, catalogues, samples or any other tangible evidence that would establish applicants as reliable suppliers.

1. Once a list of pre-qualified suppliers has been compiled, business units must inform the suppliers and request confirmation of their intention to submit offers.

1. **Open announcement**
2. This sourcing method creates awareness in the business community of an opportunity related to a specific project, and requires advertisement in an appropriate medium (including, but not limited to, the UNDP global website) depending on the nature of the procurement activity. In an open competitive bidding process, there will be no shortlisted companies; consequently, all suppliers wishing to participate in the process are invited to do so.

1. Advertisements for an open competitive process often result in a more extensive evaluation process due to the large number of offers received, but they have the advantage of providing broader competition.

**Appraising Suppliers**

1. In order for suppliers to be qualified to submit an offer and potentially be awarded a contract, they must demonstrate, and in certain cases certify, that they can meet the following criteria:

1. Have the technical capability to satisfactorily meet procurement requirements
2. Have adequate financial resources to perform the contract or the ability to obtain them as evidenced by audited financial statements for completed years of operation
3. Have sufficient materials and other non-financial resources to meet all existing commercial commitments
4. Be able to comply fully and effectively with UNDP General Terms and Conditions
5. Have the necessary facilities, experience, accounting and operational controls, insurance and technical skills (including, as needed, for quality control, property and production control, and/or standards and safety programmes applicable to goods produced or services performed)
6. Have a record of satisfactory performance with previous clients, possibly including UNDP
7. Have an excellent credit rating evidenced by reputable reporting agencies (e.g., Dunn and Bradstreet, Moody’s Investor Services) in reports on the company’s production facilities, and financial and management status
8. Are compliant with national or international quality standards for the product offered, or can provide evidence of national and international acceptance of their services
9. Adhere to environmental sustainability practices evidenced by certifications (e.g., ISO 14000 Certification)

**Eligibility of Suppliers**

1. A supplier is presumed to be eligible unless it is on the Ineligibility List administered by UNGM, by virtue of sanctions imposed by UNDP or another participating UN entity, and the sanctions have not been revised or revoked.

1. When the supplier is a consortium, or a holding or parent company, all of its members or subsidiaries must meet this requirement.

**Rosters of Eligible Suppliers**

1. Offices or business units may find it efficient to maintain a roster of eligible suppliers. Both UNGM and UNDP office rosters can be used to source local and international suppliers.

**Performance Evaluation**

1. Performance of suppliers should be evaluated on an ongoing basis, and poor performance reported to UNGM or recorded in existing UNDP roster information systems as applicable.

1. Evaluation criteria should include but not be limited to:

* 1. Quality of goods and services
  2. Compliance with delivery times and deadlines
  3. After sales service provided
  4. Accuracy of documentation
  5. General cooperation and speed in response

1. Evaluating service performance can be complicated and requires identifying meaningful and measurable key performance indicators. For more information on developing specific evaluation criteria and monitoring performance, see the chapter entitled Contract Management.