Sustainable Public Procurement in LICs

Implications for the Ongoing World Bank Procurement Review

Published by: giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
The study „Sustainable Public Procurement in LICs – Implications for the Ongoing World Bank Procurement Review” was commissioned as part of the Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH sector project 'International positioning of German development cooperation in development economics' on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The study was conducted in close cooperation with the World Bank.

The views and opinions expressed in this study are the author’s and do not necessarily reflect the views of BMZ, GIZ or the World Bank.
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### Abbreviations

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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AusAID</td>
<td>Australian Aid</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CD</td>
<td>Capacity Development</td>
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<td>CPAR</td>
<td>Country Procurement Assessment Report</td>
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<td>CPG</td>
<td>Commonwealth Procurement Guidelines</td>
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<td>CPTU</td>
<td>Central Procurement Technical Unit Bangladesh</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>Danida</td>
<td>Danish International Development Assistance</td>
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<td>DEFRA</td>
<td>UK Department for Environment, Food and Rural Affairs</td>
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<td>DFID</td>
<td>Department for International Development, UK</td>
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<td>ESRP</td>
<td>Environmentally and Socially Responsible Procurement</td>
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<td>EU</td>
<td>European Union</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit</td>
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<tr>
<td>GNI</td>
<td>Gross National Income (World Bank, Atlas Methodology)</td>
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<td>GPP</td>
<td>Green Public Procurement, Green Public Purchasing</td>
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<td>GP</td>
<td>Good Practices</td>
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<td>HIC</td>
<td>High income country</td>
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<td>ICB</td>
<td>International Competitive Bidding</td>
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<td>ICLEI</td>
<td>Local Governments for Sustainability</td>
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<td>IGPN</td>
<td>International Green Purchasing Network</td>
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<td>IISD</td>
<td>International Institute for Sustainable Development</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>LCA</td>
<td>Life Cycle Assessment</td>
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<td>LCC</td>
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<td>LIC</td>
<td>Low income country</td>
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<td>MAPS</td>
<td>Methodology for Assessing Procurement Systems</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<td>MIC</td>
<td>Middle income country</td>
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<td>MTFP</td>
<td>Marrakech Task Force on Sustainable Public Procurement</td>
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<td>NCB</td>
<td>National Competitive Bidding</td>
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<td>NGO</td>
<td>Non-Government-Organization</td>
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<td>NPV</td>
<td>Net Present Value</td>
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<td>ODA</td>
<td>Overseas Development Assistance</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OPCS</td>
<td>Operations Policy and Country Services</td>
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<td>OPCPR</td>
<td>Operations Policy and Country Services Procurement</td>
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<td>Abbreviation</td>
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<td>PPA</td>
<td>Public Procurement Authority Ghana</td>
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<td>PPO</td>
<td>Procurement Policy Office Mauritius</td>
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<td>PPOA</td>
<td>Public Procurement Oversight Authority Kenya</td>
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<td>SBD</td>
<td>Standard Bidding Document</td>
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<td>SDN</td>
<td>Sustainable Development Network</td>
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<td>S-MAPS</td>
<td>Sustainable MAPS</td>
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<td>SME</td>
<td>Small and medium sized-enterprise</td>
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<td>SPP</td>
<td>Sustainable Public Procurement</td>
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<td>TF</td>
<td>Task Force</td>
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<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<td>UNCITRAL</td>
<td>United Nations Commission on International Trade Law</td>
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<td>USD</td>
<td>US Dollar</td>
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<td>VFM</td>
<td>Value for Money</td>
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<td>WB</td>
<td>The World Bank</td>
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<td>WLC</td>
<td>Whole Life Costing</td>
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Executive Summary

Background

The World Bank (WB) is currently undertaking its first comprehensive review of its procurement policies and procedures. The WB’s Procurement Guidelines have considerable leverage with regard to procurement systems in WB partner countries, as well as to other financial institutions’ and donors’ standards and principles. One of the issues that are currently discussed in this context is to what extent sustainability considerations (i.e. ecological, social and economic aspects) should be reflected in WB procurement policy and practice.

The objective of this study is to inform this ongoing review by analyzing how Sustainable Public Procurement (SPP) is currently reflected in policies, systems and practices of governments of low-income countries, the WB, and possibly other bi- and multilateral development agencies and by formulating a set of recommendations on why and how (SPP) can be reflected in the new World Bank procurement policies, procedures, and their practical application.

The research is based on a desk study and interviews. The country examples of Ghana, Kenya and Bangladesh are analyzed in depth to take stock of the current application status, practical experiences, and lessons learned with regard to SPP implementation in low-income countries. Comparisons are drawn with experiences of middle and high-income countries.

Concept and definition of SPP

The World Summit on Sustainable Development acknowledged in 2002 that SPP can contribute to achieving sustainable development goals and the Johannesburg Plan of Implementation encourages public procurement practices that stimulate development and diffusion of environmentally sound goods and services and promotes the integration of the three pillars of sustainable development which are economic development, social development and environmental protection.

The most regularly cited definition for sustainable procurement originates from the United Kingdom Sustainable Procurement Task Force and coherently builds on the concept of sustainable development:

“Sustainable Procurement is a process whereby organizations 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 organization, but also to society and the economy whilst minimizing damage to the environment.” (DEFRA 2006, p10).

The four primary goals of sustainable procurement are: to minimize any negative impacts of goods, works or services across their life cycle and through the supply chain; to minimize demand for resources; to ensure that fair contract prices and terms are applied and respected that meet minimum ethical, human rights and employment standards; and to promote diversity and equality throughout the supply chain (Berry 2011).

Analysis of application of SPP in low-income countries

The study analyzes the experiences of Ghana, Kenya, and Bangladesh with regard to SPP implementation. The study sets out by describing the country context, the current status of SPP application, benefits, barriers and challenges, requirements and conditions, main policy and practical tools applied, and lessons learned for each country. It then puts achievements and experiences in perspective by drawing comparisons to middle- and high-income countries. This leads to the following main conclusions:

- High-income countries are taking the lead in implementing SPP and some middle-income countries are catching up. Countries promoting SPP are aware of
the environmental, social, and economic benefits SPP entails and they have – over the past decade – invested resources and built up policy and legal frameworks enabling the application of sustainable public procurement practices.

- Low-income countries are lagging behind. In most countries, there are no policies in place that would systematically link SPP with broader sustainable development goals and there are no action plans and no implementation measures related to SPP. The countries analyzed in depth, i.e. Ghana, Kenya, and Bangladesh, exhibit a wide variation with regard to awareness, approaches, and implementation status of SPP with Ghana pursuing the most systematic and comprehensive approach (but still lacking implementation), Kenya starting to include some sustainability considerations, and Bangladesh showing little awareness and action on SPP.

- Experiences in high-, middle- and low-income countries show that public procurement reform needs to be linked and coordinated with wider governance reforms and that the introduction of SPP needs to be linked with general procurement reform. There is no “one size fits all” solution.

- The benefits of SPP can be manifold and they are often mutually reinforcing. SPP can contribute to meeting environmental challenges and to achieving binding international targets. Potential social benefits span from improved compliance with social and labor laws to improved living conditions and social justice. SPP can result in financial savings over the lifetime of a product and reduce cost for societies as a whole. It can drive innovation, promote sustainable production and consumption patterns and SPP can help public entities to demonstrate responsible governance.

- Despite the evident benefits connected with SPP, challenges remain since sustainability considerations are generally complex in nature and best practices are still evolving. This is particularly the case in low-income countries, where procurement legislation is usually relatively new and capacities and law enforcement weak.

- This poses the question of what is required for SPP to thrive in low-income countries. The analysis of the three country examples has shown that awareness of environmental and social problems, a sense of urgency as well as political willingness and country ownership are key. These factors can be considered “minimum conditions” for starting and gradually enhancing a SPP program. For SPP to thrive, a legal framework has to be put in place, which promotes the consideration of sustainability criteria throughout the procurement process. Capacity has to be built targeting the public and the private sector to ensure that the demand and the supply side understand new requirements and techniques connected with SPP.

- There are concerns that the implementation of SPP may overstretch existing capacities and that local companies may not be ready for SPP. These gaps could result in inefficiencies, higher costs for procuring entities, reduced competition, and increased corruption. There is also the perceived risk of SPP creating unfair competitive advantage for few (often large, international) firms able to comply with SPP standards. To mitigate these risks, due consideration should be given to the scoping and sequencing of SPP initiatives. A structured approach that looks at the whole picture (vs. a piece-meal approach) should be pursued. Countries have a variety of policy options at their disposal and based on policy objectives and assessment results, realistic goals for the implementation of SPP can be set, priorities defined and be gradually implemented (vs. a “big bang” approach). This could entail a selective approach applying SPP to certain sectors or products. Monitoring results can be used to continuously improve the program. Local enterprises could be supported to understand the new requirements and to gradually make their production processes more sustainable. Some countries may look as SPP as ‘second generation procurement reforms’, others may want to use ongoing reforms to create synergies with SPP initiatives (pragmatic approach).

- Development partners can play a catalytic role in assisting developing countries in this decision-making and transformation process. They can lead by example and they can support developing countries in carrying out assessments, evaluating policy options and implementing strategies to create an enabling environment for SPP by providing tools, knowledge and funds to overcome the prevalent lack of resources, in particular in low-income countries.
Current policies and practices of the WB and other development agencies

The study provides a brief overview of current policy and practice by bilateral and multilateral development agencies in general, and an analysis of WB policies and practice in particular, regarding their application and support of SPP in developing countries. With regard to the WB, the aim is to identify opportunities for the further inclusion of sustainability criteria in procurement policy, processes, and tools. The key observations can be summarized as follows:

■ In the poorest countries (IDA countries) investment lending remains at the heart of Bank operations (88% of the total IDA support of USD 14.8 billion in Fiscal Year 2012). The bulk of this lending is typically used for the procurement of goods, works, and services and International Competitive Bidding (ICB) remains fundamental to large contracts. This means that investment lending in low-income countries could be the key entry point for the further inclusion of sustainability criteria in WB procurement practices, in particular where WB investment loans account for a large portion of the public procurement market.

■ The tools used to inform the Bank’s Country Assistance Strategy (CAS) on the subject of procurement fall short on the issue of SPP. In particular, the Methodology for Assessing Procurement Systems (MAPS), which is used as part of the Bank’s Country Procurement Assessment Reports (CPAR), fails to address the environmental, social, and broader economic impacts of public procurement.

■ The Bank’s 10 Safeguard Policies require the screening of proposed projects to determine the potential environmental and social risks and opportunities of the project as well as the development of risk mitigation plans. There is no specific guidance on how to incorporate such considerations in procurement processes. The ongoing review of the Bank’s Safeguard Policies may create new opportunities to strengthen linkages to procurement in general and to SPP in particular.

■ The Bank’s Procurement and Consultant Guidelines allow to a certain extent for the inclusion of environmental and social aspects into the bidding process. Interviews indicate however that borrowers (and Bank staff) are not always aware of some of the more advanced procurement procedures such as life cycle costing or they are unsure when and to which extent they are permitted to use them. Overall, some provisions lack clarity and the guidelines fall short on a number of key leverage points for SPP. For example, while there are some provisions related to the consideration of environmental benefits in determining the lowest evaluated bid in the procurement of goods and equipment, there are no provisions specifying if or to which extent technical specifications and award criteria can be used to account for the consideration of social or broader economic criteria.

■ The Bank has established an environmentally and socially responsible procurement (ESRP) initiative, which is a cross-sector collaboration among the Operations Procurement Anchor unit (OPCPR), the Environment Department, Legal Department and Corporate Procurement Department aimed at raising awareness, disseminating best practices, and assisting staff and clients on how Bank projects can be designed and implemented through ESRP. However, there is no explicit policy statement in place encouraging ESRP/SPP implementation in Bank funded operations. In particular, there is no specific mandate assigned to Bank staff to assist developing countries in SPP implementation and there is no endorsed guidance note or other practical tools available to promote the inclusion of sustainability in Bank funded operations.

Among other development partners, UNEP has been the key driving force promoting SPP in developing countries. Under its SPP Capacity Building Project, UNEP has assisted several middle-income countries in introducing SPP. Tools applied include status and legal assessments, prioritization exercises and a Market Readiness Analysis aimed at defining a country specific SPP policy. Strategic plans ensure an efficient and effective approach to SPP. By initiating the formation of the Sustainable Public Procurement Initiative (SPPI), UNEP has also taken the lead in developing a community of practice on SPP aimed at advancing international coordination and cohesion of SPP activities to enhance the performance of SPP programs.

The Asian Development Bank (ADB) has enriched the policy discussion through a number of publications, which,
among others, discuss procurement as a strategic policy tool to increase employment, target sector growth and industrial policy, and promote the development of new innovative and sustainable products. The most recent brochure discusses procurement as a distributive tool aimed at reducing discrimination in procurement against small firms or other targeted groups in order to promote inclusive economic growth. Bilateral development agencies included in the study (DFID, AusAID, Danida, KfW, GIZ) have not established a specific policy or practice yet with regard to SPP implementation in developing countries, but they generally rely on the broader concept of value for money. KfW, who implements financial cooperation projects and programs on behalf of BMZ, is currently in the process to integrate sustainability criteria in a more systematic way into procurement procedures by adaptation of procurement guidelines and the elaboration of a practical guide for practitioners. GIZ, being in charge of implementing German bilateral technical assistance projects and programs in developing countries, is concerned with SPP in certain related areas such as the introduction of social and environmental standards (“labels”) in various sectors.

Recommendations

The study provides recommendations on (i) why SPP should be reflected in the new WB procurement policies and practices, (ii) what the implications for the WB role in procurement are, and (iii) how SPP can be reflected in the new WB procurement policy and practices.

Four key reasons are presented providing the rational for “why” SPP should be reflected in the new WB procurement policies and practices.

First and foremost, the WB mandate on sustainable development inevitably puts sustainable procurement on the agenda to leverage the work carried out by the Bank and its clients to achieve development objectives.

Secondly, the leadership role the WB has in the area of public procurement in development cooperation suggests that the WB takes on the responsibility to incorporate the principle of sustainability in public procurement policy and practice.

Thirdly, given the considerable purchasing power WB funded procurement represents and the breadth of the Bank’s operations dealing with some 120 countries, increased demand for sustainable products can make a real difference and SPP could help create awareness, promote behavioral change, create demand for sustainable consumption and production patterns and drive markets to innovative solutions. By taking the cost of products and services over their entire lifetime into consideration, SPP would ensure value for money and create financial savings over the longer term.

Finally, developing countries which will account for the vast majority of global growth in income, infrastructure, and population in the coming decades will need to choose whether and to which extent to institute SPP as an integral element of a sustainable economy. The World Bank would be well positioned to assist developing countries in making those policy decisions and in defining the path to incorporating the concept of sustainability in government procurement policies and practices.

The implications for the WB role in procurement can be considered as falling into three categories: First, the procurement policy framework for investment lending should be strengthened to more robustly and consistently address sustainability criteria. Secondly, the Bank could assist developing countries in making policy decisions with regard to SPP and in designing and implementing SPP at the country, sector, and institutional level. All available lending instruments could be used to operationalize this new role including the funding of Technical Assistance. Activities could range from policy dialogue to assistance in establishing conditions required for SPP to thrive to capacity building and monitoring of outcomes. Thirdly, the Bank could connect and broker knowledge across institutional boundaries and provide tools that support the uptake of SPP.

The following instruments are key in defining the extent to which SPP can be integrated in the new WB procurement policy and practices and the following recommendations are presented:

- The WB Procurement Policy and Guidelines should include “sustainability” as one of the principles to be considered. The study makes the case that the principle of sustainability is compatible with and can even reinforce other guiding procurement principles such as economy, efficiency, development of domestic industries, and transparency.
Country Procurement Assessment Reports (CPARs), and in particular the Methodology for Assessing Procurement Systems (MAPS), should systematically address the three dimensions of sustainable procurement. This could be achieved by enhancing the current baseline indicator system by adding some sustainable procurement indicators (“s”-indicators) and related assessment criteria. “S-MAPS” would trigger more specific assessments such as prioritization studies or market readiness analysis as recommended in the MTF Approach to SPP and performance indicators could also be added, as appropriate. A first draft of such a “S-MAPS” module is attached to the report.

The ongoing review of the Bank’s Environmental and Social Safeguards Policies should be seen as an opportunity to strengthen linkages with procurement. Specific guidance could be developed on how to incorporate project related risk-mitigation measures and opportunities into bidding procedures to take better account of sustainability considerations. The Bank could also consider developing safeguards or standards for selected high impact products.

Recommendations are presented focusing on the Bank’s procurement policy framework for investment lending, the implementation of SPP in developing countries, and with regard to knowledge sharing and partnerships.

Procurement policy framework for investment lending

The new set of procurement policy and guidelines should highlight already existing possibilities and provide more advanced options to integrate sustainability considerations into procurement procedures funded by the Bank. This would promote the application of SPP and provide borrowers with a legal basis for taking economic, environmental and social considerations into account. The following list provides an overview of the recommendations submitted. The recommendations are further detailed in the main report:

- “Sustainable procurement” should be defined and the principle of sustainability be explained.
- The new procurement guidelines should specify mandatory requirements, e.g. compliance with core labor standards.
- The new procurement guidelines should encourage flexibility through allowing a wide range of strategic options to include sustainability considerations in procurement proceedings funded by the Bank from which the borrower should be permitted to choose if they add value in a certain country/project context (optional requirements).
- The new guidelines should, as a default option, accept additional provisions on sustainable procurement provided they are included in the national procurement law. Conditions that are not acceptable to the Bank because they disproportionally compromise other guiding principles could be defined in the loan agreement. The Bank’s decision could be informed by the CPAR or other, more specific or more recent assessments. The Bank could also engage in a broader policy dialogue with the government aimed at establishing provisions in the national law that are mutually acceptable.
- The new guidelines should outline how compliance with mandatory requirements should be verified and monitored.

Sustainable procurement is an emerging issue and the cutting edge is moving. Flexibility should be built in to update mandatory and optional requirements as new good practices are being established.

Additional recommendations are presented focusing on the different stages of the procurement process: Preparation of the process; defining requirements; selecting suppliers, service providers and contractors; evaluation of tenders and award of contracts; and contract implementation.

Application of a differentiated approach

Options for the application of a differentiated approach are presented. Among others:

- In ICB, the WB could support sustainable procurement regardless of the readiness of the local market to deliver sustainable products by assisting the borrower in the bidding process and during contract administration to enforce contractual obligations. This should be seen as a measure to support an already existing or emerging national policy agenda. New modalities to benefit the local economy could be developed, tested and refined with regard to, e.g. sub-contracting of local enterprises,
hiring of skilled local workers, transferring know-how, or supplementary support to local firms to strengthen their adoption of sustainability standards and ability to compete, so that SPP in ICB would neither be seen as a hindrance to local socio-economic development nor as an approach that would give international companies an unfair competitive advantage.

- In national bidding procedures, the local market may not always be prepared to deliver sustainable products but there may be areas where the market is ready and there may be other segments, where reliable public demand is needed to stimulate local innovation, help achieving economies of scales and increase the competitiveness of local industries in the long run. In line with national policy priorities, a list of prioritized products and services could be identified and SPP be applied in the WB funded project. The WB could support the borrower in assessing the level of readiness of the market and to promote more sustainable production patterns.

- Civil works, Turn-Key, and Supply & Installation projects offer large opportunities to consider sustainability criteria by focusing on sustainability impacts in the design phase, by applying advanced life cycle costing methodologies, and by incorporating incentives for suppliers to excel during implementation. Energy efficiency products provide a good example on how procurement can be made more sustainable across sectors.

- In terms of contract size, there is also the option to divide contracts into lots to make them more accessible for SMEs. SMEs have a huge potential for job creation, growth and innovations and easy access to procurement markets can help them unlock this potential while allowing contracting authorities to broaden their supply base with positive effects of higher competition for public contracts. Measures could be defined to remove barriers for market access by SMEs or special target groups such as SMEs owned by women, youth, or disabled persons. Possible negative effects may include higher transaction costs since the procuring entity has to manage multiple contracts/suppliers.

- Lower value products, which are needed on an indefinite or repeated basis during a given period of time can be bundled to make procurement more efficient by tendering framework contracts. Such a strategic approach would allow spending more time on incorporating sustainability criteria in low value products and services that would otherwise not be targeted.

### Implementation of SPP in developing countries

Recommendations are presented on how SPP can be implemented in developing countries and on how the WB could support this transformation process.

A generic model is used to illustrate how the introduction of SPP can be embedded in the principles of aid effectiveness, change management, and capacity development. The model illustrates key objectives to be achieved at the national level and the organizational level, i.e. the procuring entity level. Major recommended objectives and management approaches at the national level comprise awareness raising, the development of an agreed set of SPP benchmarks, strategic planning and implementation processes that are adapted to the country situation as well as effective partnerships in international development cooperation. Proposed objectives at the organizational level focus on the design and the implementation of a strategy to embed sustainable public procurement in daily procurement practices.

One way to keep cost low and benefits high could be to start with a limited number of sustainable products to build a reputable SPP program or to focus on the implementation of SPP in a selected number of key procuring entities. Especially at the sector or entity level, development cooperation could play a catalytic role. The following is a list of areas where the WB (and other development partners) could support the implementation of SPP in low- and middle-income countries:

- Awareness raising
- Policy dialogue
- Cross-sectoral cooperation and stakeholder engagement
- Assessments
- Strategy development
- Capacity building
- Leverage with WB funded investment projects
- Research and Communication
- Resources
<table>
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<th>Aid Effectiveness Principles:</th>
<th>Change Management Principles:</th>
<th>Capacity Development Principles:</th>
<th>Mainstreaming SPP at the national level</th>
<th>Mainstreaming SPP at the organizational level</th>
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<td>Awareness</td>
<td>Assessments</td>
<td></td>
<td>Create awareness of the benefits of SPP</td>
<td>Understand the national SPP framework</td>
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<td>Understanding</td>
<td></td>
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<td>Share experiences of ongoing SPP programs</td>
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<td>Develop and agree on SPP benchmarks and common assessment tools</td>
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<td>Look at the country context to ensure that the conditions and the approach are right</td>
<td>Assess implications and relevance of SPP for the procuring entity</td>
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<td>Conduct an in-depth assessment to inform the design of the national SPP program</td>
<td>Conduct an in-depth assessment to inform the design of the procuring entity’s SPP program</td>
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| Behavioral change           | Strategy development            | Set goals and develop a strategic plan | Define the procuring entity’s procurement policy and strategy |
| Make a difference and effect change | Implementation               | Effect the intended change: SPP implementation | Implement the procuring entity’s SPP strategy |
|                             |                                 | Monitor and evaluate implementation and the impacts of SPP | Monitor and evaluate the procuring entity’s SPP implementation and the impacts of SPP |
|                             |                                 | Establish a partnership of effective development cooperation for SPP | Establish a partnership of effective development cooperation for SPP at the procuring entity level |

TABLE: MODEL MAINSTREAMING SPP IN DEVELOPING COUNTRIES (ROOS 2012B TABLE 29)
This is followed by a discussion of potential challenges and risks in implementation including suitable risk mitigation strategies. A comprehensive overview of typical challenges and barriers is used to illustrate how inherent implementation risks can be mitigated. This diagnostic input builds on the understanding that to remove barriers and related risks, root causes have to be identified and core issues such as institutional arrangements, leadership, knowledge, accountability, and functional capacities have to be addressed. A list of management approaches and tools is provided which could be applied to overcome identified barriers.

Knowledge sharing and partnerships

The WB could use its competitive advantage to connect and broker knowledge across institutional boundaries to champion the development of tools that support the uptake of SPP. This could include partnerships on SPP with other development organizations (including UN organizations), regional organizations, private sector associations, and developing countries. The objective could be to establish an international community of practice in SPP, which advances the concept, supports the development of common diagnostic and implementation tools, and evaluates and communicates the impacts of SPP.

The ongoing review of the WB procurement policies and procedures presents a unique opportunity to improve the development effectiveness of WB funded investment loans and grants. Sustainable public procurement could become a momentous building block in a modernized WB procurement policy. Due to its leadership role, the impacts would go far beyond WB funded projects. By endorsing the concept of SPP, incorporating sustainability criteria into WB funded procurement, and by assisting developing countries in tapping the benefits SPP entails, global and regional partnerships in procurement could be strengthened and procurement policy reform in developing countries could be reinvigorated and taken to a new level.
Context

The World Bank (WB) is currently undertaking its first comprehensive review of its procurement policies and procedures. These procurement policies and procedures were originally shaped in the 1960s by large-scale, stand-alone infrastructure investments and have since evolved taking into account changes in the Bank’s operations and the conditions in member countries. During the last update, which took place in January 2011, it was decided to undertake a review of the Bank’s current approach to procurement under Bank-financed operations, the first such review since the Bank’s founding.

The reasons for undertaking a review of the Bank’s procurement policies and how they are applied are outlined in the Bank’s “Approach Paper” and the “Initiating Discussion Paper” of January 23, 2012. The main objectives are to incorporate worldwide best practices, find ways to support the Bank’s borrowers in strengthening their own procurement systems, simplify the current policies and procedures whenever possible, and enhance flexibility. The review is divided into two stages and is expected to be concluded by the end of 2013.

The WB’s Procurement Guidelines have considerable leverage with regard to procurement systems in WB partner countries, as well as to other financial institutions’ and donors’ standards and principles. One of the issues that is currently discussed in this context is to what extent sustainability considerations (i.e. ecological, social and economic aspects) are reflected in WB procurement policy and practice.

Objective of the study

The objective of this study is to develop a set of recommendations on how sustainable public procurement (SPP) can be reflected in the new World Bank procurement policies, procedures, and their practical application.

More specifically, the study is to:

1. analyze how (i) SPP is currently reflected in policies, systems and practices of governments of low-income countries (LICs) and determine the difference to middle-income countries (MICs) in opportunities and barriers to policy implementation; and (ii) the World Bank and possibly other bi- and multilateral development agencies apply/support SPP in LICs;

2. formulate a set of recommendations on why, the extent to which, how, and where SPP can be reflected in WB’s procurement policies, procedures or other practical tools, how to apply it to different circumstances and how to implement SPP in line with other procurement policy goals that the WB is pursuing to promote good procurement practice.

The complete Terms of Reference of the study are attached in Annex 1.

Methodology and activities

The research is based on a desk study and interviews. 3 country examples are analyzed in more detail to take stock of the current application status, practical experiences and lessons learned in low-income countries. To include SPP experiences from countries with higher gross national income (GNI) levels and other regions, comparisons to a number of middle and high-income countries are drawn utilizing desk-based available information on those countries.

Based on a list of defined selection criteria, the following countries have been selected in consultation with the World Bank for in-depth review: Kenya, Ghana, and Bangladesh. From a regional perspective, the countries chosen are quite representative of the nations belonging to the group of LIC. Ghana, while slightly surpassing the LCI threshold, has been selected for in-depth review because of its ongoing SPP project, which was expected to provide useful input to the study.

1 Selection criteria stated in the Terms of Reference: LIC status; availability of data/information; existing WB procurement capacity development programs; availability of local contacts willing to cooperate; and English speaking country.

2 According to the WB classification, economies are divided according to 2011 Gross National Income (GNI) per capita, calculated using the World Bank Atlas method. The groups are: low income, $1,025 or less; lower middle income, $1,026 - $4,035; upper middle income, $4,036 - $12,475; and high income, $12,476 or more (World Bank 2011a). Most of the LICs are African countries (14 out of 22). 4 LIC belong to Asia and 3 to Central Asia. There is no Latin American country in this group and only one LAC country.
A total of 30 representatives of public procurement authorities, the World Bank, the private sector, and other development agencies have been interviewed (Annex 2). The consultant was also given the opportunity to participate in a World Bank internal consultation with the WB Sustainable Development Network in which the current status of the procurement policy review was presented on October 22, 2012.

To structure the interviews, a questionnaire was developed (Annex 3). The questionnaire covers the following key issues:

- Status quo of SPP in the particular country
- Main incentives to implement SPP (benefits, opportunities, rationale)
- Key barriers and challenges in making SPP work
- Conditions for SPP implementation
- Main policy and practical tools for SPP
- Lessons learned
- Possible role of the WB and other development partners to support SPP

The study’s main perspective is the procurement perspective. Legal considerations being a complex academic domain on its own are addressed in broader generic terms only.

The study was conducted between October 8 and December 7, 2012.
Concept and definition

SPP was effectively instituted as a crosscutting issue of sustainable development when the World Summit on Sustainable Development acknowledged in 2002 that public procurement can contribute to achieving sustainable development goals. Notably, the Johannesburg Plan of Implementation encourages public procurement practices that stimulate development and diffusion of environmentally sound goods and services and promotes the integration of the three pillars of sustainable development which are economic development, social development and environmental protection (WSSD 2002).

The most regularly cited definition for sustainable procurement originates from the United Kingdom Sustainable Procurement Task Force and coherently builds on the concept of sustainable development:

“Sustainable Procurement is a process whereby organizations 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 organization, but also to society and the economy whilst minimizing damage to the environment.” (DEFRA 2006, p10).

The four primary goals of sustainable procurement are: to minimize any negative impacts of goods, works or services across their life cycle and through the supply chain; to minimize demand for resources; to ensure that fair contract prices and terms are applied and respected that meet minimum ethical, human rights and employment standards; and to promote diversity and equality throughout the supply chain (Berry 2011).

Sustainability considerations can be embedded into all stages of the procurement process. Typical stages of a procurement process are: Preparation of the process; Defining the requirements of a contract; Selecting suppliers, service providers, and contractors; Evaluation of tenders and award of contracts; and Contract implementation.

Procurement policies should provide strategic context, identify strategic priorities, and guide decision-making. New ways of working and competencies are required to support the activities within the procurement process. Procuring entities need to look beyond the conventional criteria of price, quality and service when making purchasing decisions and it also requires the procuring entity to consider the whole life cost (WLC) of procurement. The WLC not only considers upfront costs but includes operating and disposal costs to ensure real value for money over the longer term.

SPP in high-income countries

Governments in high-income countries (HICs) have increasingly become involved in making their procurement greener and more sustainable. Current policies in Europe, the US, Canada, Japan, and Australia however display a high level of cross-national variation as they reflect different national policy priorities. Some examples:

In Europe, increased awareness of environmental problems and strong legal frameworks have been key drivers for change. The EU Sustainable Development Strategy reflects the aim to promote economic growth and social cohesion while paying due respect to environmental protection. The 6th Environmental Action Programme

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3 Sustainable Development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations 1987, p1).

4 The term “whole life cost” is used interchangeably with the term “life cycle cost” throughout this study.

5 According to the WB classification, economies are divided according to 2011 Gross National Income (GNI) per capita, calculated using the World Bank Atlas method. The groups are: low income, $1,025 or less; lower middle income, $1,026 – $4,035; upper middle income, $4,036 – $12,475; and high income, $12,476 or more (World Bank 2011a).
2002 -2012 identifies four priority areas, which are climate change, nature and biodiversity, resource management, and environment and health. In 2004, the EU set out the possibilities to integrate sustainability considerations into public procurement procedures. This decision was guided by the understanding that sustainable development cannot be achieved if there is no integration of sustainability considerations into all policy areas. The EU Procurement Directives and the EU Green Purchasing Programme (GPP) are firmly embedded in this policy framework and have triggered national green and sustainable procurement programs in almost all EU member states. Policy discussions concerning sustainable public procurement have a predominantly environmental character and there is a considerable variation both in the extent to which EU member states have developed and implemented a national policy and in the character and focus of existing policy frameworks. The proposal for the new EU Directives aims at increasing efficiency to ensure the best procurement outcomes in terms of value for money and by allowing procuring entities to make better use of public procurement in support of common societal goals (European Commission 2008 and 2011e; AEA 2010).

By contrast, SPP policy frameworks in the United States were driven by the affirmative action agenda and place emphasis on avoiding discrimination and providing equal opportunities for women and minority owned businesses with some emphasis on purchasing from indigenous people. In Canada, federal procurement policies include economically oriented aspects of purchasing and in addition, comprise measures to ensure procurement opportunities for aboriginal businesses. In Japan, sustainability criteria emphasize environmental aspects and corporate governance measures are mandated. State-based schemes in Australia support local businesses. The focus of each policy can range from inclusion of certain demographics, good governance, and environmental sustainability to buying local and directly links to one or more of the three pillars of sustainable development based on the specific country priorities (McCrudden 2004; Brammer & Walker 2007; European Commission 2007a; AEA Group 2010, WB 2012c).

### SPP in developing countries

Only few developing countries have a government-wide, overarching policy on SPP. An increasing number of countries, mainly middle-income countries, are however taking steps towards integrating environmental, and to a lesser extent, social criteria into their national procurement (IISD 2007; UNEP & UN n.d.; United Nations 2008; Roos 2012b).

The Marrakech Task Force on Sustainable Public Procurement (MTFP) in partnership with UNEP has been the most important international driving force promoting SPP in developing countries. The MTFP process (2005-2011) was initiated by the government of Switzerland as one of the Task Forces under the Marrakech Process on Sustainable Consumption and Production to promote SPP in developing and developed countries. In 2008, UNEP’s project Capacity Building for Sustainable Public Procurement in Developing Countries was launched. Supported by the European Commission, Switzerland, and the Organization of Francophone countries, the project has piloted the MTF Approach to SPP in seven countries, namely Chile, Costa Rica, Columbia, Uruguay, Tunisia, Mauritius, and Lebanon. All of these countries belong to the category of upper middle-income countries. Some other countries such as Argentina and Ghana have been using the approach outside the supervision of UNEP. The MTF Approach to SPP is based on the principle of sustainability and guides countries through a set of steps in building an effective SPP program (UNEP & FOEN 2011; UNEP 2012d).

Other middle-income countries that are currently implementing SPP projects include Mexico, South Africa, Malaysia, Brazil, Vietnam, India, and China. The Sustainable Public Procurement in Urban Administrations in China project, for example, takes China’s green purchasing list of eco-friendly products and producers as a starting point to screen framework conditions and implement SPP in three cities. Some initiatives have been supported by the International Green Procurement Network (IGPN) based in Tokyo or the Local Governments for Sustainability (ICLEI), a non-profit association of over 1200 local government organizations assisting local governments in SPP implementation (ICLEI 2011e).

There is practically no aggregated information publicly available on the status of SPP application in LICs. This

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6 Green procurement is defined by the European Commission as “a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured.” (European Commission 2008 p4)
may be primarily due to the fact that SPP in LICs is still in its very early stages. Another reason might be that the international procurement community has only recently started to pay attention to this emerging issue. This is particularly the case with regard to SPP in LICs. There has been no (or very little) coordination between the Task Force on Procurement and the Marrakech Task Force. For example, the Methodology for Assessing Procurement Systems (MAPS), the single most important tool developed by the Task Force on Procurement, has been adopted by the World Bank, other development partners, and numerous developing countries as the common diagnostic tool to increase the effectiveness and efficiency of country procurement systems. While MAPS comprehensively covers the traditional understanding of good procurement practices, sustainability considerations are not part of its baseline and performance indicators system, which have been designed to determine and measure good international procurement practice.

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7 The work of this global working group started in 2003 with the WB-OECD/DAC Roundtable on Procurement and was succeeded by the Joint Venture on Procurement and later the Task Force on Procurement operating under the OECD/DAC Working Party on Aid Effectiveness. It included MDBs, bilateral donors, international organizations, NGOs and representatives from more than 30 developing countries. It resulted in the development of commonly shared standards and tools and the extensive sharing of country experiences to support procurement reform in developing countries (OECD 2005; OECD 2011a).
Country examples on SPP application in low-income countries

This chapter analyzes the status of application of SPP in the three countries selected for in-depth review. The information analyzed is based on the review of documents received and on inputs provided in the interviews conducted.

The country cases are structured along the following lines: They start with a brief description of the country context and the country procurement system. Then, the current approach to SPP and the achievements are identified to capture the implementation status. This is followed by a presentation of benefits; barriers and challenges; requirements and conditions; and policy and practical tools applied. The country chapters conclude by summarizing lessons learned.

The in-depth analysis of SPP application in low-income countries including comparisons to middle- and high-income countries is undertaken in the chapter following the country cases using the same structure.

Republic of Ghana

Country context

The Republic of Ghana is a lower middle-income country (GNI per capita 2010, Atlas Methodology: USD 1,240) with a population of 23.8 million. The Ghana Coordinated Program for Economic and Social Development outlines the national development priorities and the implementation is undertaken through Medium-Term National Development Policy Frameworks. The Ghana Shared Growth and Development Agenda 2010-2013 covers the first phase and includes, as one of seven key thematic priority areas, transparent and accountable governance. The objective is that through sustainable and accelerated value-adding growth of the economy, the per capita income will raise to a minimum of USD 3,000 by the year 2020 (OECD 2011d; WB 2010b; PPA).

Government procurement in Ghana represents over 18% of GDP and accounts for more than 50% of the national budget. 42% of the national budget is funded through ODA (PPA 2010; Schweizerische Eidgenossenschaft 2010). Given the importance of public procurement in Ghana, procurement reform is one of the targets under the Multi Donor Budget Support and plays an important role to ensure aid effectiveness. The Government of Ghana recognizes that a more effective procurement system is critical to achieve the country’s growth and poverty reduction goals and has fundamentally reformed its procurement systems. The Public Procurement Act (Act 663) of 2003 has laid the foundation for a comprehensive public procurement system taking into account the country’s decentralization policy and local industry development. The Act established procurement structures, rules, and tendering procedures. The Public Procurement Authority (PPA) was created as the central body for policy formulation and oversight. Actions were taken to harmonize procurement proceedings, assess compliance and performance of procuring entities, and increase transparency. Capacity development has focused on large-scale short-term training programs, the development of curricula and modules for tertiary training institutions, and on the establishment of a scheme of service for procurement officers. Ghana has been an active member of international procurement networks such as the Task Force on Procurement and the Marrakech Task Force on Sustainable Procurement. In 2010, the Government of Ghana decided to embark on SPP (OECD 2011d; PPA 2011; PPA 2012).

Implementation Status

SPP in Ghana is implemented through the Swiss-Ghana Sustainable Public Procurement (SPP) Project, a three-year project being implemented by PPA and financed by the Swiss Government with a USD 2.7 million grant. The overall goal of the SPP Project is “to embed the principles of transparency, accountability and sustainability in public procurement by strengthening the monitoring & evaluation system and by increasing the supply of more sustainable goods and services procured by the government.” (Schweizer Eidgenossenschaft 2010 p4). The targeted outcomes focus on introducing a national system for SPP and on strengthening the existing M&E system by incorporating sustainability criteria. Both legal compliance with the Public Procurement Act and the monitoring of SPP implementation is considered pivotal for the institutionalization of SPP. The SPP process is modeled in accordance with the MTF Approach to SPP and addresses the three dimensions of sustainability, i.e. the economic, social, and environmental dimension. The MTF Approach to SPP is described in more detail in Annex 4.
First, implementing arrangements were put in place: The project is under the leadership and ownership of Ghana’s Public Procurement Authority (PPA), which is responsible for its management and implementation. Consultancy contracts were concluded to secure internationally recognized support in the field of SPP. Arrangements were made for the accreditation of training institutions and the certification of trainers on SPP and M&E. In December 2010, the Ghana Task Force on SPP was set up to provide technical advice on issues related to SPP and to promote SPP in the public. The task force comprises representatives from the private sector, civil society organizations, government bodies and other professional institutions. Awareness programs were carried out and cross-national experiences exchanged to build a strong multi-stakeholder group able to promote SPP in the country. The private sector has reacted in a positive way. Companies are aware of international conventions and core labor standards. Internationally engaged companies see new business opportunities while locally operating companies are still being sensitized and may need technical support to cope with new requirements.

Following the MTF Approach to SPP, a legal review was carried out to assess the legal framework for SPP and an initial identification of priority areas for the project was undertaken in 2011. Furthermore, a SPP Policy Statement has been prepared and will be finalized by the end of 2012. The implementation process will be detailed in a SPP Strategy Document (Action Plan). A Market Readiness Analysis will inform the strategy. The Market Readiness Analysis, which is still under preparation, will assess the existing productive capacities for the identified priority spending areas and the potential responsiveness of the market and the national business sector to potential SPP tenders. It will also provide information with regard to existing eco-labels and the ability to deliver international markets. The findings will be important to determine opportunities and risks and will be used to determine the priority SPP product categories to start with (quick win areas). To create synergies, the Government wants to start with areas where environmental and social laws already exist (e.g., energy efficiency, access to public buildings for physically handicapped people).

High-level seminars on SPP for policy makers have been carried out in April 2012 to ensure high-level political support and receive inputs for the SPP Policy. Currently, the SPP project is implementing three pilots in Accra and Kumasi. Workshops are being carried out to train practitioners in SPP, validate priority areas and test the new SPP clauses that are being incorporated in the Standard Bidding Documents (SBDs). Next steps will include a train-the-trainer program to train decentralized procuring units and a certification program for SPP and Monitoring & Evaluation. The roll out of the SPP program is scheduled to begin in 2013.

Benefits

The project planning documents states three reasons on why to engage in SPP. The first reason is based on cost-effectiveness, given that some “green” products are less costly in terms of their use, maintenance, and disposal despite higher upfront investment costs. A second reason is that governments, due to their importance as customers in some markets, can make a difference in environmental outcomes by choosing environmentally and socially friendly options. Thirdly, governments can use their market power to influence producers to shift more rapidly to cleaner technologies (Schweizer Eidgenossenschaft 2010).

In the interview with country representatives, it was highlighted that SPP can contribute to implementing international agreements (Ghana is a signatory to a number of international agreements such as the UN Convention on Climate Change and ILO Conventions) and SPP can support implementing national environmental and social policies. The Government is committed to Sustainable Development and SPP is considered a facet of SD. SPP can for example help in implementing the national policy on poverty reduction or the new national policy on domestic trade in timber and timber products (upcoming). SPP is considered fully compatible with other public procurement objectives such as efficiency, fair and open competition, transparency, etc. The same approach will be followed (competitive tendering, qualification and award criteria stated in bidding documents, etc.) and besides, public procurement will drive social and environmental policies.

Since the SPP program will only be rolled out in 2013, it has not been possible yet to measure actual benefits.
Barriers and challenges

The SPP project document includes a risk analysis and measures to mitigate development, reputational, and fiduciary risks. One risk rated “high” is that PPA may be too ambitious to implement a system for SPP while the implementation of the Public Procurement Act is not fully completed. To deal with this risk, synergies are sought with ongoing activities at the PPA. For example, the Public Procurement Assessment Tool (PPME – Public Procurement Model of Excellence) is used to enhance the assessment of procurement performance of procuring entities and new key performance indicators are being developed to monitor the use of sustainable products.

The following risk areas were discussed in the interviews: Lack of capacity of procurement practitioners and other officers engaged in procurement to properly apply sustainability criteria and new tools such as Whole Life Costing (WLC); Lack of capacity of local suppliers to invest in sustainable technologies; Lack of capacity for proper inspection of delivered products to ensure they meet the stated sustainability criteria.

The government will mitigate those risks by building partnerships with training institutions to incorporate sustainable procurement techniques into ongoing training programs for procurement practitioners and by starting with easily implementable product categories where sustainable alternatives can be easily supplied. The existing M&E system will be updated to include sustainability criteria and will be used to monitor the roll out of SPP at the procuring entity level.

Requirements and conditions

It was stressed in the interviews, that public awareness on the importance of sustainable development and a clear Government commitment for SD based on a long-term vision is a prerequisite for SPP (Ghana has a SD policy statement and planning schemes). SPP needs to be backed by a SPP policy statement, which defines priorities and provides guidance for decision making. Clear responsibilities need to be assigned and a multi-stakeholder approach is needed to establish SPP as a crosscutting issue. Individuals need to act as champions. Complimentary sector policies and laws are required, for example with regard to private sector development to promote new technologies and assist local industries in making production processes more sustainable in the long run. A market readiness analysis should be conducted to ensure that SPP priorities are defined which do not distort the domestic market. Donor support is needed to implement the programs both in terms of knowledge and funds.

Main policy and practical tools

Ghana relies on the following main instruments and tools for SPP implementation: Enhancement of the procurement law to include sustainability criteria; in particular, development of SBDs that include sustainability considerations; development of national SPP guidelines, and use the existing M&E system to monitor the volume of sustainable products procured; creation of awareness and training of policy makers, procurement practitioners and suppliers on new requirements and instruments such as the application of WLC and sustainability criteria in bid evaluation.

The revision of the procurement law is still underway and no details were shared with regard to the future use of different methods such as technical specifications, award criteria, etc.

Lessons learned

It would be premature to evaluate lessons learned before implementation has really started. However, the following views have been shared in the interviews conducted:

- Stakeholder involvement: A solid multi-stakeholder group had to be build first to help create public awareness on what SPP stands for and to further engage stakeholders, in particular in procuring entities.

- Inclusion into wider procurement reform: By considering SPP at an early stage of procurement reform duplication of work can be avoided and synergies be created.

- Donor cooperation: Approaches and tools of general procurement reform and SPP implementation, as pursued by different development partners, should be harmonized to ensure a consistent national approach towards procurement reform.
SPP Policy: A national policy on SPP and a national implementation strategy that translates into concrete projects is needed (vs. a piecemeal approach).

Once the SPP policy, prioritization, legal review, SPP key performance indicators, etc. are finalized, PPA would be happy to share these outputs. Due to the WB’s unique impact on public procurement standards and principles in the developing world, PPA would like to see the World Bank getting involved in SPP. More specifically, the WB SBDs should be amended to include SPP criteria and model SPP guidelines could be developed to facilitate the development of national SBDs and national SPP guidelines. Most importantly, the WB could play an important role in promoting and supporting the implementation of SPP in developing countries, including sponsoring SPP workshops.

Republic of Kenya

Country Context

The Republic of Kenya is a low-income country with a GNI per capita of USD 780 (2010) and a population of approximately 39 million residents. 43% of the population is aged below 15 years, an estimated 46% of Kenyans live below the poverty line. The population data for Kenya shows a momentous demographic transition taking place, which is characterized by a huge rise in population size, and a youthful and productive population that is highly urbanized. The post-election crisis and economic turbulences in 2008 led to a reform agenda focused on constitutional, electoral, land, and institutional reform as well as increased accountability for corruption and political violence. The new Constitution, approved in August 2010, has the devolution of power as a central promise and the Government is in the process of implementing an enormous policy and legislative agenda to ensure implementation. Major milestones in establishing two levels of government, the national and the county government, include the enactment of *The Transition to Devolved Government Act*, *the County Government Act*, and *the new Public Finance Management Act* (all enacted in 2012) (OECD 2011a; Republic of Kenya 2012).

The public procurement system in Kenya has been steadily undergoing reforms since 1998. The landmark in public procurement reform came when the Public Procurement and Disposal Act (PPDA) and supplementing regulations became operational in 2007. The Act introduced new procurement standards and institutions and, among others, established the Public Procurement Oversight Authority (PPOA). PPOA is mandated to monitor the functioning of the public procurement system, formulate policies and tools, initiate training and professional development and provide support to procuring entities. Since 2008, PPOA is being supported through technical assistance by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The “Capacity Development in Public Procurement” project is part of the GIZ “Support to Public Finance Reforms (SPFR)” program (OECD 2011a).

In September 2012, the Ministry of Finance and UNOPS carried out a joint public procurement devolution needs assessment. The assessment took stock of the current procurement capacities at the national and local level and identified key technical and management issues pertaining to the devolution of public procurement in Kenya. A set of short, medium and long-term recommendations was developed and broadly discussed with stakeholders to pave the way for the further decentralization of public procurement functions. The transition process is expected to focus on retrofitting the legal and regulatory framework, institutionalizing procurement at the county level, and enhancing capacities of procurement officers and local enterprises while increasing efficiency, transparency and accountability. One of the recommendations of the devolution needs assessment is to develop a comprehensive strategy and guidelines for SPP (UNOPS 2012).

Implementation status

The PPDA highlights the following objectives of public procurement in Kenya: to maximize economy and efficiency; promote competition, integrity, and fairness; increase transparency, accountability, and public confidence; and to facilitate the promotion of local industry and economic development (PPDA 2005). There are currently several separate policies in place in Kenya which relate to SPP. Examples include a policy of the Office of the
President to award at least 10% of all public contracts to enterprises owned by youth and policies on how to better involve females or micro, small and medium enterprises in public procurement. There are also some environmental policies or directives in place aimed at reducing paper consumption by duplex printing, prohibiting fuel guzzling vehicles, promoting the building of solar water-heating houses and using energy saving electrical appliances. Some procuring entities have issued individual policies for green or climate friendly procurement. These policies however have not been integrated into a common or national policy or strategy on SPP. The Kenyan Government considers this a task for the future and the GIZ capacity building project supports this agenda.

The legislation of Kenya already includes a few provisions on SPP. The Constitution of Kenya of 2010 demands a fair, equitable, transparent, competitive and cost effective system. It specifies that the procurement law may provide for: a) categories of preference in the allocation of contracts; b) the protection or advancement of persons, categories of persons or groups previously disadvantaged by unfair competition or discrimination; c) sanctions against contractors that have not performed according to professionally regulated procedures, contractual agreements or legislation; and d) sanctions against persons who have defaulted on their tax obligations, or have been guilty of corrupt practices or serious violations of fair employment laws and practices (The Constitution of Kenya 2010, Article 227).

A few provisions on SPP have also been included in the Public Procurement and Disposal Act, the Public Procurement and Disposal Regulations, and specifically in The Public Procurement and Disposal (Preference and Reservations) Regulations of 2011 (PPDR 2011). The purpose of the Preference and Reservations Regulations is to promote local, national and regional industry and to support socio-economic development. Target groups are enterprises owned by women, the youth, and persons with disabilities (“disadvantaged groups”) as well as micro and small enterprises and national firms in general. For more details, refer to Annex 5.

The Preference and Reservations Regulations include national reservations, i.e. some products can only be procured from local contractors offering certain goods made or assembled in Kenya, and they include price preferences for locally produced goods. The eligibility requirements are described in detail and registration by the Ministry of Finance is required to mitigate the risk of unethical practices. As a general rule, contracts have to be awarded based on competition. The Preference and Reservations Regulations include a monitoring scheme and the PPOA is responsible for oversight. As elaborated in the interviews conducted, the Preference and Reservations Regulations have hardly been implemented yet. Target groups and procurement practitioners still need to be sensitized and trained and the monitoring scheme has not been established yet. It is therefore too early to assess if the intended objectives have been achieved or if the scheme has had a discriminatory, distorting, or counterproductive effect.

As in the procurement legislation, some clauses related to SPP can be found in the different SBDs but this guidance is not based on a systematic and comprehensive approach so far.

PPOA, supported by GIZ, is currently carrying out an analysis aimed at integrating provisions on SPP into the legal framework in a more systematic and substantial way. As the procurement legislation will be reviewed and amended, SPP clauses will need to be incorporated in the country’s procurement guidelines, manuals and SBDs. The GIZ SPFR Program together with PPPOA plans to draft a specific manual on “Green And Climate Friendly Public Procurement” in 2013 once it will be certain how and in which way the PPDA and the supplementing regulations will be affected. For the period after 2013, it is envisaged to offer specific training on SPP for procuring entities on the levels of the national government and the county governments on the basis of the mentioned manual. The purpose is to raise awareness and practical skills of procurement officers on SPP.

Benefits

Public procurement in Kenya is estimated to account for some 70-80% of the national budget of 1.2 trillion Kshs and in the view of parts of the Kenyan government, civil society organizations and the GIZ SPFR program, the implementation of SPP can help protect the natural environment and national resources. This is considered very important for Kenya, since the country is very much affected by climate change and by an increasing use of
land and natural resources. The implementation of SPP is also believed to save public funds or to help using public funds more efficiently and effectively by considering the cost over the lifetime of products and services. In the long run, SPP can contribute to achieve better value for money in government procurements by saving resources, supporting innovative local industries, SMEs, and disadvantaged groups. The Kenyan private sector is in general very open and in favor of SPP and most stakeholders view SPP as a chance for local industry, in particular micro, small, and medium enterprises. With the implementation of SPP, the government might also achieve more transparency, competitiveness, fairness and non-discrimination in the award of contracts. SPP would spur socio-economic development if well adopted and implemented.

**Requirements and conditions**

To ensure the successful implementation of SPP in Kenya, the following is needed: Adequate and suitable legislation on SPP; creation of awareness on SPP; good practical training programs and materials; improved oversight and monitoring; and better enforcement of existing rules.

**Main policy and practical tools**

The key intervention points in the procurement process for SPP are the same as with traditional procurement: procurement planning, preparation of tender documents, selection of the type of award procedure, publication notice, qualification criteria, tender evaluation, contract management, evaluation of the award procedure and the contract agreement. The practical tools have to be adjusted to the needs of SPP though. For example, procurement planning should take SPP into account; the terms of reference or specifications need to be adjusted to the needs of SPP; qualification and evaluation criteria need to be adjusted (e.g. based on whole life costing). Those new tools may not be easy to handle for the persons involved in the procurement process. Advanced professional skills are needed. It takes time to develop these skills and it may be costly when starting SPP. The advantage of SPP is however that procuring entities can achieve better value for money in the long run (see above).

It is also important to set up a reporting system on SPP and to evaluate the impacts of SPP. Since Kenya just started to focus on SPP, this will be a task for the future. The already existing Internal Procurement Performance Monitoring Tool might be used and the results of a Value for Money Survey in Public Procurement in Kenya, which is currently being carried out may provide valuable inputs.

**Lessons learned**

As stated before, Kenya is just starting SPP implementation and it is considered too early to speak about lessons learned or good practices. It has become clear however that a lot of awareness raising will be necessary. To disseminate the gender specific government policy and to eventually increase the inclusion of women owned businesses in government procurement, PPOA and GIZ SPFR will

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**Barriers and challenges**

In general, the country suffers from a poor implementation of procurement rules and regulations or guidelines, a lack of procurement planning and wide spread corruption. As for the Public Procurement and Disposal (Preference and Reservations) Regulations, there is a general lack of knowledge on part of public procurement officers and the target groups with regard to policies, requirements and procedures. No monitoring schemes have been established yet to measure the effectiveness of the Preference and Reservations Regulations.

One important provision that needs to be changed when amending the PPDA refers to the provision in Article 66, section 4, which governs that the successful tender shall be the tender with the lowest evaluated price. Risks of having a SPP system in place in Kenya refer to poor procurement planning, the wide spread deficit in drawing up a sufficient tender document, inadequate capacities in the evaluation of tenders and poor contract management. Other problems are that award procedures tend to be very long and very bureaucratic. There is a concern that with new and additional procurement provisions those problems might even grow. It would be necessary – and possible – to address these challenges with capacity building activities. The local industry is believed to be flexible enough to live up to the new challenges and thus competition should not be adversely affected by SPP but no market readiness analysis has been conducted so far.
conduct a series of regional workshops during the coming months in cooperation with the Kenya Association of Women Business Owners (KAWBO) and UN Women. More awareness raising campaigns and a regional stakeholder forum are planned after the next elections, which will take place on March 4, 2013.

With regard to “Green And Climate Friendly Procurement”, plans exist to organize a two-day international conference on best practices in SPP. PPOA expects that the process to achieve SPP will require considerable capacity building interventions and emphasizes that donors including the WB could play a major role in supporting countries that have adopted SPP by providing knowledge and financial resources for policy development, capacity building, and compliance initiatives for SPP, and by using country systems where SPP is applied.

**People’s Republic of Bangladesh**

**Country Context**

Bangladesh is a low-income country (GNI per capita 2010, Atlas Methodology: USD 640) with a population of nearly 150 million inhabitants. Bangladesh has maintained an impressive track record on growth and development. The economy has grown at nearly 6 percent per year in the past decade and poverty has dropped by nearly a third, coupled with increased life expectancy, literacy, and per capita food intake. Despite those successes, around 47 million people are still below the poverty line. Bangladesh is among the most densely populated countries in the world, vulnerable to natural disasters and increasingly affected by climate change. The country aspires to be a middle-income country by 2021 and growth will need to be more inclusive through creation of productive employment opportunities in the domestic economy. Among the challenges the country faces are water resource management, environmental protection and the need to better adapt to climate change impacts. Bangladesh’s Five-Year Plan is cast in the context of a long-term development vision defined by the government’s Vision 2021 and the Perspective Plan 2010-2021 (World Bank 2012g).

The World Bank CPAR of 2002 identified deficiencies in public sector procurement practices as the most serious issue affecting public service delivery. Outdated procurement rules and procedures, inadequate capacity to manage public procurement, lack of accountability, and corruption seriously impacted development and aid effectiveness. Since 2002, the government, with support from the World Bank, has been leading a comprehensive public procurement reform program. As a result, the Public Procurement Act 2006 (PPA 2006) and the Public Procurement Rules (PPR 2008) came into force in January 2008. A procurement policy unit (Central Procurement Technical Unit, CPTU) was established and transparency, accountability and effectiveness of the public procurement system was improved by creating a website, increased publishing of procurement opportunities and contract awards, establishing a review and appeals mechanism, and by implementing training programs for procurement officers.

The World Bank currently supports the government reforms through the Public Procurement Reform Project II (2007-2013; Technical Assistance Loan, USD 24 million). The project aims at progressively improving performance of the national procurement system and focuses on four key spending agencies in the infrastructure sector (Roads and Highway Department; Rural Electrification Board; Local Government Engineering Board; Bangladesh Water Development Board). Activities include the introduction of e-procurement and comprehensive training based on an institutional training strategy. Further measures focus on creating awareness on the relevance of public procurement and on behavioral change to fight corruption and to increase social accountability (OECD 2011a; World Bank 2011c).

**Implementation status**

The private sector in Bangladesh has started to get engaged in sustainable procurement, such as some textile and seafood exporting companies. In particular, some of the international brands such as Levis, Woodland, Van Heusen, Fruit of the Loom, Benetton, etc. are using some measures of sustainable procurement in the local factories they use for contracting out the manufacturing of ready-made garments. There is no government policy or strategy on SPP yet.

There are some provisions in the government’s General Conditions of Contract for Civil Works regarding environmental protection on the construction site and with
regard to social protection in civil work contracts. They can be summarized as follows:

**Environmental protection in civil works contracts:**

- The contractor has to avoid damage or nuisance to persons or the property resulting from pollution, noise, or other causes resulting from the contractor’s method of operation.
- When a design contest is conducted to select a consultant, evaluation criteria may include the following: “innovation, aesthetic content, adequate blending with the surroundings, efficient use of the available space, attractiveness for the potential users, incorporation of energy savings and other environmentally friendly considerations, revenue generation potential, if any, and estimated construction cost” (General Conditions of Contract for Civil Works, clause 27; PPA 2006, Rule 111).

**Social responsibility in civil works contracts:**

- The contractor has to take reasonable steps to safeguard the health and safety of workers and other people entitled to be on the site, including the provision of lights, fencing, warning signs, etc. for the safety on site.
- The standard contract form includes a provision on normal working hours (this provision can however easily be changed by prior written approval of the project manager).
- The contractor has to comply with all relevant labor laws applicable to the contractor’s personnel relating to their employment, health, safety, welfare, immigration, etc.
- The contractor has to provide proper accommodation to his laborers, arrange for proper water supply and sanitation arrangements at the site in accordance with existing government regulations.
- The contractor is obliged to pay reasonable wages. In the event of delays in payment, the procuring entity may effect payments directly to the laborers and recover the cost from the contractor.
- The conditions of contract include a clause on child labor to ensure compliance with the applicable labor laws and with treaties ratified by the government (General Conditions of Contract for Civil Works, clauses 28-30).

**Benefits**

The demand for SPP is still absent in Bangladesh. Since the CPAR of 2002, awareness on good public procurement practices has only been growing gradually. Under the Public Procurement Reform Project II, there is an effort to institutionalize public procurement capacity building and to move to electronic government procurement (eGP). Provided that there is a demand from the government following international advocating, SPP could become part of procurement reform in the long term. This could be supported by the fact that climate change has become a significant issue in Bangladesh with the WB managing a large fund, the Bangladesh Climate Change Resilience Fund (BCCRF), and with the International Finance Corporation (IFC) doing studies for using carbon financing. Awareness building in those interventions could kick-start the demand needed for SPP implementation.

**Barriers and challenges**

The following are perceived barriers and challenges expressed in the interviews conducted.

There are currently no incentives to implement SPP, since the enforcement of environmental regulations is weak. Other challenges refer to the level of poverty, low capacity of local contractors, lack of enforcement of the law in general, and non-utilization of environmental/economic evaluation criteria in bidding processes. This is further made difficult due to political influence in procurement proceedings, particularly in decentralized procurement.

Main challenges would be to accommodating the associated cost of SPP as a long-term measure of future public procurement as well as the low level of preparedness of the private sector. The assumption is that – apart from the textile and seafood sector - the change in business processes would render a large portion of the bidding community unable to bid for public procurement contracts in Bangladesh.

8 No Market Readiness Analysis has been conducted yet.
To create a demand for SPP within the government, discussions and brainstorming sessions with the private sector would be needed to identify potential areas for SPP application and to assess the need for private sector support programs to ensure that a gradual move towards SPP would be adaptable for them. Besides, many types of goods and construction materials are imported from China, India, or other countries, which are also low-key in terms of sustainable products. Comprehensive capacity development measures for the private sector would be needed to ensure more sustainable local production patterns and more sustainable international supply chain management.

Requirements and conditions

The following views were shared in the interviews. While raising awareness on the potential benefits of SPP is considered key, there are concerns that the current economic and administrative conditions in Bangladesh may not favor the implementation SPP. Bangladesh is a LIC with a large concentration on exports of ready-made garments and frozen seafood products and dependence on imports and remittance income. Procurement reform is only in its 8th year and there is still a high demand for building procurement management capacity and for developing core competencies. The notion is that “basic” procurement reform should come first and that enhancing capacity for SPP could rather be an issue for second-generation procurement reforms.

A strong legal framework would be needed to implement SPP, enforcement of the same, and consideration of government officials of using environmental, social and economic bid evaluation criteria. Also, with regard to private sector capacities, supporting measures regarding production, supply, distribution and consumption of sustainable products need to be developed and implemented to create an enabling environment for SPP.

Main policy and practical tools

Apart from the government’s General Conditions of Contract for Civil Works, which contain some provisions with regard to environmental and social protection on public construction sites, no government policies are in place that would promote sustainable public procurement. In particular, sustainable procurement is not addressed in the national procurement legislation and there are no policy statements or action plans in place aimed at introducing sustainability criteria in public procurement practices.

Lessons learned

There are no lessons learned yet since SPP is not being practiced in Bangladesh. It was expressed in the interviews conducted that any requirements to apply SPP should be optional and used in specific projects first such as projects, which are heavily dependent on international procurement. It is assumed that it will be easier to obtain quality bids in sustainable procurement processes from international bidders. The introduction of SPP in national procurement procedures would require more time.

Analysis of application of SPP in low-income countries and comparisons to middle- and high-income countries

This section analyzes the status of application of SPP in low-income countries. It draws on the experiences of the three countries presented in depth in the previous chapters (Ghana, Kenya, Bangladesh) and provides comparisons to middle- and high-income countries. The chapter starts out by highlighting some country characteristics and the current status of implementation of SPP in these countries. This is followed by an aggregated analysis of perceived benefits, barriers and challenges, requirements and conditions, and main policy and practical tools. The chapter concludes with some general observations.

Country context

The three countries analyzed in depth belong to the category of low-income or lower middle-income countries. The GNI per capita in these countries ranges from USD 640 to USD 1240. The GNI per capita of upper middle-income countries, with which comparisons are drawn, can be more than ten times higher.

Ghana, Kenya, and Bangladesh have implemented substantial procurement reforms. Procurement laws came
into effect between 2004 and 2007 and considerable efforts are still being undertaken to implement the new legislation, increase the efficiency of procurement institutions and professionalize public procurement. Development partner support has been instrumental in all these reforms. Ghana is the only country which has been an active member of both the Task Force on Procurement and the Marrakech Task Force on Sustainable Public Procurement and this – combined with the continuous engagement of the Swiss development cooperation – has certainly raised the country’s awareness of the potential benefits of SPP and has triggered the decision to look at SPP in a holistic way and to implement the MTF Approach to SPP.

Implementation status

The UK Sustainable Procurement Task Force has developed a Flexible Framework, which defines five stages of sustainable procurement performance. It contains five performance levels (foundation level, embed level, practice level, enhance level, and lead level; for more information refer to Annex 6) and it centers on five key themes, which are: People; Policy, Strategy & Communications; Procurement Process; Engaging Suppliers; and Measurements & Results (DEFRA 2006). Level 1 of the Flexible Framework, the foundation level, is illustrated in Table 1 below and the criteria defined are used to provide a short snapshot on the status of SPP in the countries reviewed. Overall, it can be concluded that:

a) The countries of Ghana, Kenya, and Bangladesh exhibit a wide variation with regard to awareness, approaches, and implementation status of SPP with Ghana pursuing the most systematic and comprehensive approach, Kenya starting to include some sustainability considerations, and Bangladesh showing little awareness and action on SPP.

b) As of today, none of the countries reviewed has established a foundation for SPP; i.e. sustainability criteria have not been embedded in government procurement systems and practices yet.

Comparisons can be drawn to the SPP application status achieved in some middle-income countries. Figure 1 above illustrates the current implementation status in the 7 countries that have applied the MTF Approach to SPP under UNEP’s SPP Capacity Building project. In about half of the countries (4 out of 7), this process has resulted in the formulation of a SPP Policy and Action Plan and/or training activities, respectively. As of June 2012, all countries consider themselves as still being in the process of rolling out their SPP programs. Monitoring and Evaluation has not started yet. This means that there is also a limited knowledge base with regard to the impacts of SPP implementation in MICs.

FIGURE 1: PROGRESS CHART SPP CAPACITY BUILDING PROJECT, UNEP (UNEP 2012B FIGURE 4.2)³

³ For comparison, if Ghana was integrated in this chart the following implementation status could be reflected: Implementation Plan, Status Assessment, and Legal Review: completed (green); Market Readiness Analysis, SPP Policy Plan, and Training: in progress (blue); SPP Policy Implementation: blank. The lines for Kenya and Bangladesh would be blank.
<table>
<thead>
<tr>
<th>Flexible Framework Foundation (Level 1)</th>
<th>Ghana</th>
<th>Kenya</th>
<th>Bangladesh</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td>Pilot training workshops are being carried out for procurement practitioners. Train-the-trainer approach planned. Training to be rolled out in 2013.</td>
<td>No SPP awareness rising/training yet.</td>
<td>The demand for SPP is still absent.</td>
</tr>
<tr>
<td><strong>Policy, Strategy &amp; Communications</strong></td>
<td>SPP Policy Statement and SPP Strategy Document under preparation; to be finalised in 2012. Some awareness rising programs carried out. No overarching policy/objectives communicated yet.</td>
<td>Some scattered policies exist (environment, youth, women, SME). Analysis aimed at looking at SPP in holistic way is underway/planned. No overarching policy/objectives yet.</td>
<td>Large civil work contracts include some provisions related to environmental and social protection. No SPP policy/objectives yet.</td>
</tr>
<tr>
<td><strong>Procurement Process</strong></td>
<td>Amendments to procurement law proposed to include sustainability criteria. National SPP Guidelines and SBDs under preparation. Implementation not started yet.</td>
<td>Upcoming amendments to procurement law may be used for integrating SPP criteria. Guidelines for green and climate friendly procurement planned. Implementation not started yet.</td>
<td>No activities yet to get engaged in SPP.</td>
</tr>
<tr>
<td><strong>Measurements &amp; Results</strong></td>
<td>New Key Performance Indicators have been developed for SPP; to be integrated in the existing Public Procurement Model of Excellence tool.</td>
<td>Not defined yet. The Internal Procurement Performance Monitoring Tools may be used for this purpose in the future.</td>
<td>No activities yet.</td>
</tr>
</tbody>
</table>

TABLE 1: FLEXIBLE FRAMEWORK: FOUNDATION LEVEL (LEVEL 1) (DEFRA 2006 P68)
Further comparisons can be drawn with the EU which represents a large group of high-income countries and which has published several reports monitoring the implementation of green/sustainable public procurement programs in its member states. In Europe, a standard set of policy making has emerged (will be further explained below). A study carried out in 2011 shows that the uptake of the EU policy is significant (although the 50% target has not been fully met). 26% of the contracts reviewed included the EU core GPP criteria and 55% of the contracts partially complied with the set standards. In terms of value, 38% of the total value of the contracts included sustainability criteria. The study also shows that the application of the EU GPP criteria varies significantly across Europe with Belgium, Denmark, the Netherlands and Sweden being the top performing countries in Europe. Monitoring the overall success and uptake of SPP is however an area still progressing. At the time of the assessment, only Sweden and the Netherlands had monitoring systems in place and mechanisms to feed results back into the SPP scheme.

Training, stakeholder involvement, and communication play an important role in all member countries (European Commission 2012b).

Overall, governments have increasingly become involved in making their procurement greener and more sustainable. However, the concept of SPP is still emerging and at all country levels there is a considerable variation both in the approach chosen and in the level of SPP application in procurement practices. By and large, high-income countries are leading this endeavor, some middle-income countries are catching up, and low-income countries seem to be lagging behind.

Benefits

Benefits of SPP can be mutually reinforcing. For example, green technologies generate economic benefits such as job and wealth creation, social benefits such as employment and skill development and environmental benefits such as efficient use of resources. At the same time, scientific evidence on the impacts of SPP is still rare, especially in developing countries.

The potential of SPP to contribute to meeting environmental challenges, to generate financial savings over the lifetime of products, and to drive (local) markets to innovation were the benefits mentioned most often in the interviews with representatives from Ghana, Kenya, and Bangladesh. The countries that have already started incorporating sustainability considerations into their procurement procedures (Ghana and Kenya) also pay due attention to social and to broader economic goals and to the benefits SPP could bring in terms of encouraging compliance with social and labor laws and with regard to the inclusion of micro, small and medium enterprises and business owned by women, youth, and other disadvantaged groups.

The OECD estimates that public procurement globally represents approximately 15% of GDP and this figure can reach or exceed 25% in developing countries (OECD 2011c; ADB 2011).

Environmental dimension

SPP can contribute to meeting environmental challenges such as climate change, soil degradation, biodiversity loss, and access to fresh water. Public authorities can contribute by reducing the risk of negative environmental impacts on health, safety or well being caused by public procurement. SPP can also support the implementation of national environmental policies and help achieving international targets such as the reduction of greenhouse gas emissions laid out in the Kyoto protocol. Considerations in the procurement process can for example include: material used to manufacture the products; production processes; use of renewable raw materials; energy and water consumption during use; greenhouse gas emissions and air pollutants; durability and product lifespan; opportunities for recycling or reusing the product; waste; packaging; and transportation. There is also a high potential for environmental benefits at the local level such as the use of low-emission busses to increase air quality or the procurement of non-toxic cleaning products for schools or public buildings (Berry 2011; European Commission 2011c; United Nations 2008).

There are numerous studies measuring the impacts of green or environmentally friendly procurement, especially related to CO2 emissions. For example, the EU RELIEF research project came to the conclusion that if all public authorities across the EU demanded green electricity this would save the equivalent of 60 million tones of CO2 which is equivalent to 18% of the EU’s greenhouse gas reduction commitment under the Kyoto Protocol (European Commission 2004).
Social dimension

Similarly, SPP can contribute to enhancing compliance with national social and labor laws, international conventions, and social development goals such as the basic ILO conventions, which ban forced and child labor, establish the right to form trade unions and ensure non-discrimination. By promoting voluntary social standards such as Fair Trade, SPP can help improving living conditions and reducing poverty in developing countries. SPP can also stimulate social justice and social inclusion. South Africa, for example, has introduced a system to promote the advancement of people historically disadvantaged by unfair discrimination on the basis of race, gender or disability. In Brazil, a law introduced in 2007 established criteria aimed to increase participation of small businesses in procurement. Overall, social factors include recognizing equality and diversity, complying with core labor standards, ensuring fair working conditions, increasing employment and skills, and developing local communities (Berry 2011; European Commission 2010; United Nations 2008; IISD 2007; UNEP 2012d).

Economic dimension

In some cases, upfront cost for sustainable products are lower due to sustainable production processes. In other cases, establishing the lowest whole-life cost of a product can result in significant financial savings. Based on a spend profile of the product or services over its anticipated life span, the price comparison could include the cost for purchase, use, maintenance and disposal. More sophisticated approaches aim to include externalities, i.e. the cost for societies as a whole caused by pollution or global warming. SPP can also be a major driver for innovation and help stimulate environmentally and socially conscious markets, particularly in sectors where public purchasers represent a large share of the market such as construction, health services, public transport, or information technologies. The promotion of small and medium-sized companies and supplier diversity facilitates access to the public procurement market and can increase competition (Berry 2011; European Commission 2010; United Nations 2008).

As highlighted in the recent WB study on green procurement, green procurement can help procuring entities to cut cost. Notably, a study commissioned by the European Commission found that six out of seven European countries surveyed were able to show cost savings achieved by purchasing greener products and services. Using LCC to calculate the financial impact of green procurement, the average financial impact of GPP within the 7 best performing EU member states was 1 % in 2006/2007 (PwC 2009). Similarly, the recent WB study “Public Procurement of Energy Efficient Products” presents measurable results and impacts achieved through mandatory or voluntary green procurement policies that rely on energy efficiency criteria. The City of Vienna, Austria, for example, by applying guidelines and energy efficiency criteria for 23 goods and services categories achieves annual savings of Euro 17 million and reduces its CO2 emissions by 30,000 tons p.a. (World Bank 2012f).

Another study was recently published by UNEP analyzing the impacts of the broader SPP concept (environmental, social, economic dimension) in a few industrialized as well as developing countries. For example, the State of Sao Paulo, Brazil, saved more than 8 million liters of water, 1,766 tons of waste and 241 kg of organo-halogen compounds by using recycled paper when procuring 3.8 million notebooks for schools. The use of recycled notebooks not only reduced the need for raw material but also reduced landfill waste, which creates ground and water pollution and contributes to the spread of various diseases among vulnerable populations. It also created additional income for waste pickers. Furthermore, the bulk purchase led to economies of scale and price reductions (UNEP 2012a).

Indirect benefits

The implementation of a sustainable procurement policy can be a very effective way to demonstrate a government’s commitment to sustainability as a whole. With the government leading by example, public awareness about the environmental and social implications associated with different types of purchases can be raised enhancing sustainable consumption and production patterns (United Nations 2008; ICLEI 2007).

The potential benefits of SPP are summarized in Table 2 on the next page.

10 The use of green criteria in tendering procedures resulted in an average decrease of cost for public organizations of around 1 %. The results were averaged for all product groups analyzed and weighted on the basis of relative total procurement value per product group per country (PwC 2009).
## Potential benefits of Sustainable Public Procurement

### Potential environmental benefits

<table>
<thead>
<tr>
<th>Potential environmental benefits</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributing to meeting environmental challenges</td>
<td>Response to climate change, soil degradation, biodiversity loss, access to fresh water which includes reducing use, reusing, and recycling and ultimately reducing the amount of waste going to landfill</td>
</tr>
<tr>
<td>Contributing to achieving binding targets</td>
<td>Reduction of greenhouse gas emissions, energy efficiency, national environmental objectives</td>
</tr>
<tr>
<td>Local environment</td>
<td>Providing non-toxic cleaning products, creating healthier conditions for school children or using low-emission buses which improve local air quality</td>
</tr>
</tbody>
</table>

### Potential social benefits

<table>
<thead>
<tr>
<th>Potential social benefits</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved compliance with social and labor law</td>
<td>Compliance with provisions of the basic ILO Conventions which ban forced labor and child labor, establish the right to freedom of association and collective bargaining, and non-discrimination in terms of employment and occupation</td>
</tr>
<tr>
<td>Improved living conditions</td>
<td>Promotion of voluntary social standards such as Fair Trade which help reduce poverty</td>
</tr>
<tr>
<td>Improved social justice</td>
<td>Integration of people with disabilities or improved gender and ethnic equity</td>
</tr>
</tbody>
</table>

### Potential economic benefits

<table>
<thead>
<tr>
<th>Potential economic benefits</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial savings</td>
<td>Reduced total cost for purchase, use, maintenance and disposal by using WLC Recognize upfront costs for sustainable products can be lower due to sustainable production processes Cost for societies caused by pollution, global warming, etc. can be reduced</td>
</tr>
<tr>
<td>Driving markets to more innovative solutions</td>
<td>Drive markets to shift more rapidly to cleaner technologies resulting in the generation of income, improved competitiveness of suppliers, and ultimately lower cost due to economies of scale Expand markets that support achievement of social objectives and serve as a model by offering standards and information</td>
</tr>
<tr>
<td>Increased access to markets</td>
<td>Promotion of small and medium-sized companies and supplier diversity</td>
</tr>
</tbody>
</table>

### Indirect benefits

<table>
<thead>
<tr>
<th>Indirect benefits</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raising consumer awareness</td>
<td>Raise consumer awareness about the environment and social implications of procurement Promote sustainable consumption and production patterns</td>
</tr>
<tr>
<td>Demonstrating responsible governance</td>
<td>Respond to the growing public demand for governments to be environmentally and socially accountable in their actions, mitigate risks, and promote behavioral change</td>
</tr>
<tr>
<td>Improving public image and legitimacy</td>
<td>Combine sustainable growth with reduced environmental impact and improved living conditions The public sector responds to its moral and political responsibilities</td>
</tr>
</tbody>
</table>

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**Table 2: Potential Benefits of Sustainable Public Procurement (ROOS 2012B, Table 17)**
A recent study that focuses on opportunities to mainstream sustainable public procurement in developing countries sheds some light at the relevance of those potential benefits in the views of policy makers and stakeholders. The study is based on expert opinions gathered through interviews and on perceptions collected through an online flash poll. It includes experiences of two middle-income countries, Chile and Mauritius, and the views of representatives from the national procurement regulatory bodies and other stakeholders (Roos 2012b). Table 3 below lists the potential benefits in the order of their relevance as identified in this study and flags those benefits which have also been addressed in the interviews carried out in the ongoing study with the representatives from Ghana (G), Kenya (K), and Bangladesh (B):

Barriers and challenges

Despite the evident benefits connected with SPP, challenges remain since sustainability considerations are generally complex in nature. While barriers and challenges limiting the implementation of SPP have been analyzed in a number of studies mainly focusing on the European experience (for further details, refer to Annex 7), there are few specific research results available with regard to SPP application in developing countries.

The main barriers and challenges identified in the three country examples reviewed are summarized in the box on the next page.

**Main incentives to integrate sustainability criteria**

<table>
<thead>
<tr>
<th>Potential benefit/incentive of SPP in developing countries</th>
<th>Relevance$^{11}$</th>
<th>G</th>
<th>K</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demonstrate responsible governance, improve public image, lead by example</td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribute to meeting environmental challenges and binding targets</td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stimulate markets to offer more sustainable solutions/innovations</td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial savings over the lifetime of products/services</td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental benefits at local level</td>
<td>high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved compliance with social and labor law</td>
<td>medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved living conditions and social justice</td>
<td>low</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 3: MAIN INCENTIVES TO INTEGRATE SUSTAINABILITY CRITERIA (ROOS, 2012B P 55)**

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$^{11}$ In the study, the interview partners were asked to indicate the level of relevance of potential benefits from highly relevant to not relevant based on a four-point scale. High: Average score of 3 and above; Medium: Average score above 2.5 and up to 3; Low: Average score of 2.5 or below.
Barriers and challenges to SPP implementation in Ghana, Kenya and Bangladesh

- National procurement legislation is relatively new (5-10 years) in these countries and procurement officers, the private sector, and oversight bodies are still being trained to fully implement the current procurement law and the regulations. There is a concern that it may be too ambitious to introduce SPP while the implementation of the current legislation is not fully completed and that, due to the lack of capacity, the introduction of SPP may increase the cost for capacity development. Also, the current procurement law, regulations, manuals and SBDs will need to be reviewed and amended to include sustainability criteria in different stages of the procurement process.

- There is a lack of capacity of local suppliers to invest in sustainable technologies. There is also a lack of capacity of other targeted groups such as women, youth, or disabled people to become entrepreneurs and engage in competitive public procurement proceedings.

- The successful tender is usually selected based on lowest evaluated price. New tools such as WLC are rarely used.

- There is a lack of labels and certification institutions in the country, which could facilitate the implementation of SPP in terms of solicitation and contract management.

- There are no monitoring schemes in place to measure the uptake and the effectiveness of SPP programs.

- Furthermore, depending on the country situation, the following issues may exacerbate the challenges mentioned above: Weak enforcement of environmental or social laws; poor procurement planning and procurement cycle management (including contract management) resulting in inefficiencies, lack of transparency, and political interference and widespread corruption.

An approach developed by the European research project RELIEF12 was recently used to identify the most relevant barriers to implementing SPP in developing countries. This analysis – which included stakeholder views from Chile and Mauritius – came to the conclusion that the lack of capacity is the most relevant common barrier to SPP implementation in developing countries. The lack of guidance tools, the capacities of small and medium-sized enterprises, and the legal framework, have also been identified as highly relevant common barriers. Some other potential barriers, however, show a wide variation and their relevance is very dependant on the country context such as the level of preparedness of the market, the flexibility of budget mechanism, the knowledge regarding existing environmental and social policies, the relevance of aid and development partners’ guidelines, and perceptions on costs and complexity of SPP. Response strategies will need to address the identified obstacles and risks. These strategies can include strategic responses to commonly perceived problems and risks, further problem analysis at the country level to analyze differently perceived barriers and risks, and best practice sharing in areas where solutions have already been developed.

In interviews with WB representatives a number of other issues were addressed. There are concerns that SPP could reduce competition, be subject to misuse and increased corruption, and could increase the burden for small and medium enterprises. It is seen as a risk that introducing “quality factors” in qualification and bid evaluation could be opening the door to unprincipled exercise of discretion and that preferential procurement schemes targeting local companies or disadvantaged groups could be misused, e.g. by establishing shell companies. There could also be the

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12 The analysis included the compilation of a list of potential barriers, identification of actors, development of a questionnaire, assessment of barriers through structured interviews, and analysis and strategy development (Barth et al. 2005; Roos 2012b).
risk of information asymmetries and weak enforcement of contract conditions due to the lack of data and certification mechanisms.

These are valid concerns especially if SPP measures are applied without looking at the full picture and without taking other procurement principles such as competition and transparency in due consideration. To achieve sustainable procurement objectives, trade-offs may be necessary in the short term. For example, measures to level the playing field for local SMEs owned by disadvantaged groups may at first impact the efficiency of procurement. Lead times and transaction costs for procuring entities may increase since procurement procedures have to be adapted to better reach out to small local SMEs. Appropriate measures could include the development of simplified bidding documents, the division of contracts into smaller lots, the use of alternate communication channels and training. In particular, cost and benefits for preferential schemes (where target groups get merit points or are the only eligible firms to participate) should be carefully weighed. Preferential schemes should therefore be carefully designed and implementation should be well monitored. The preferential treatment of eligible enterprises should be phased out over time to ensure their competitiveness in the market in the long run and to avoid market distortion.

At its core, SPP is about achieving value for money within the parameters set. This entails competition and advanced, smarter methods of cost/benefit analysis, taking not only the initial price but also cost occurring over the lifetime of a product or service into consideration when awarding contracts. SPP is about ethic principles and transparency and this includes the fight of fraud and corruption. It strives to take quality into consideration; not only as award criteria but also in terms of contract implementation ensuring that the product is delivered as agreed upon in the contract by having appropriate certification and incentive mechanisms in place. This leads to the question of what is required for SPP to thrive.

Requirements and conditions

The term “enabling environment” is often used to swing away from a narrow focus on project design and to look at the range of factors that support and encourage actors to take actions to promote socio-economic development (Brinkerhoff 2004). For public procurement to thrive – and this includes SPP - an enabling environment is needed.

The main requirements and conditions for SPP identified in the country examples of Ghana, Kenya, and Bangladesh include: Public awareness on the benefits of SPP; a legal framework which allows for the consideration of sustainability criteria throughout the procurement process; capacity building targeting the public sector and assisting the private sector (to develop new technologies, local sustainable production, and supplier diversity); monitoring, enforcement, and evaluation schemes. It has also been regularly cited by country representatives that donor support is needed to ensure consistency, the funding of certain activities, and the transfer of know how. Ghana, which follows a systematic and more holistic approach, stresses that a clear government commitment for sustainable development is needed and that the policy on SPP need to be aligned with the country’s sustainable development strategy. High-level commitment is also key to institute SPP as a cross-cutting issue, e.g. to ensure an interdepartmental approach.

Table 4 on the next page summarizes the conditions highlighted in the interviews with country representatives from Ghana (G), Kenya (K) and Bangladesh (B).

One way of further structuring the discussion and drawing some more general conclusions on required conditions for SPP, is to consider the following five factors: economic, political, administrative, socio-cultural, and resources (Brinkerhoff 2004).
TABLE 4: CONDITIONS FOR SPP IMPLEMENTATION BASED ON COUNTRY EXAMPLES

<table>
<thead>
<tr>
<th>Conditions for SPP implementation based on country examples</th>
<th>G</th>
<th>K</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public awareness</td>
<td></td>
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<tr>
<td>Country needs to be ready for SPP</td>
<td></td>
<td></td>
<td>≡</td>
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<tr>
<td>Government commitment for SD</td>
<td>≡</td>
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<tr>
<td>SPP Policy</td>
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<td></td>
<td></td>
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<tr>
<td>Clear responsibilities and multi-stakeholder approach to establish SPP as a cross-cutting issue</td>
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<td>≡</td>
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<tr>
<td>Adequate and suitable legal framework for SPP</td>
<td>≡</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good practical training programs and materials</td>
<td>≡</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support of private sector (sustainable production; disadvantaged groups)</td>
<td>≡</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved oversight and monitoring</td>
<td></td>
<td>≡</td>
<td></td>
</tr>
<tr>
<td>Better enforcement of existing rules</td>
<td></td>
<td>≡</td>
<td></td>
</tr>
<tr>
<td>Donor support to implement programs</td>
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<td></td>
</tr>
</tbody>
</table>

**Economic factors**

Developing countries that are implementing SPP programs, such as Mauritius and Chile, tend to score relatively well on global competitiveness and the level of corruption. More broadly, one enabling condition could be the existence of an economy that encourages free market and competition and is supportive of investments and innovation. Countries, which are in a state of emergency, will need to satisfy basic needs first.

**Political factors**

Political will and high-level commitment based on a long-term government vision and formalized in national policies, targets, action plans, and laws are considered key to successful SPP implementation (and to successful procurement reform in general). A strong policy and legal framework helps to provide budget allocations, especially in economic downturns, for example to pay a higher initial price in order to eventually enjoy a lower total cost over the life of a product.

**Administrative factors**

A robust public procurement system based on the principles of economy and efficiency, equal opportunities to compete as well as transparency and accountability should be in place to ensure good procurement practice. Equally important are environmental protection and social laws. In Mauritius, for example, existing laws address the treatment of hazardous waste, occupational safety, and the prevention of corruption. A country interested in SPP should also have signed major international treaties such as the core UN Conventions which ban forced and child labor, establish the right to form trade unions and ensure non-discrimination.
Socio-cultural factors

The European Commission, for example, identifies the most important driving force behind SPP as relevant policies and the increased awareness of environmental problems including associated public pressure (European Commission 2007a). The EU Sustainable Development Strategy and the 6th Environmental Action Program define priorities (climate change; nature and biodiversity; resource management; environment and health) and provide policy direction and most member states have developed national sustainable development strategies to implement the targets agreed upon at the European level. To be coherent, SPP cannot work in isolation but has to be embedded in broader sustainable development strategies.

Resources

The implementation of SPP requires investments in technology, research, education and information. Adequate funding and institutional capacity is required. Experiences of Chile and Mauritius, for example, show that existing budgets for SPP implementation can impact the scope of assessments (market readiness analysis, etc.), the development of SPP product criteria, and the scope of training programs (Roos 2012b).

In most low-income countries, these ideal conditions will not be met from the outset. The focus should be a more dynamic one. Benefits, costs and risk involved to create an enabling environment to achieve sustainable procurement results will depend on the country context and the magnitude of change aimed for. Also, many of the conditions discussed are not unique to SPP but are instrumental any public procurement reform.

Main policy and practical tools

SPP policies, action plans, legal instruments, targets and indicators belong to the standard set of policy making in high-income countries. Tools to anchor sustainability in public procurement practices include approaches that focus on interventions throughout the procurement cycle and help establishing new daily practices such as pilot programs, SBDs, WLC, and training. Guidelines, best practice sharing and the preparation and dissemination of impact analysis are also well-suited informational tools.

Table 5 on page 25 illustrates the tool kit that is being used in Ghana. It includes some of the tools recommended in the MTFP Approach to SPP. The policy and practical tools Ghana relies on are therefore very similar to the tools applied by the middle-income countries that are being assisted through UNEP’s SPP Capacity Building Project. All those countries have started by conducting initial status assessments and by establishing a SPP project management structure that defines ownership and relies on a multi-stakeholder approach. Then, some more in-depth assessments are carried out which help identifying and reducing trade-offs. The legal review includes social, environmental, and economic policy priorities and identifies necessary legal/regulatory actions for SPP implementation. The Market Readiness Analysis assesses existing productive capacities and the potential responsiveness of the market and provides valuable input for the prioritization of products and services for SPP implementation. Informational tools are used to create awareness and comprehensive SPP implementation plans are prepared based on a SPP policy statement. Implementation in Ghana is still underway but the main practical tools relied on are SBDs, manuals, training, WLC and monitoring systems. The table also reflects the tools the countries of Kenya and Bangladesh use/intend to use.
<table>
<thead>
<tr>
<th>Reliance on policy and practical tools in Ghana, Kenya, and Bangladesh</th>
<th>G(^13)</th>
<th>K(^14)</th>
<th>B(^15)</th>
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</thead>
<tbody>
<tr>
<td>Policy tools</td>
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<tr>
<td>Status assessment</td>
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<tr>
<td>Management arrangements: project structure; multi-stakeholder task force; ownership</td>
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<tr>
<td>Campaigns to create awareness</td>
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<tr>
<td>Legal review and revision of the procurement law to include sustainability criteria</td>
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<tr>
<td>Regulations</td>
<td></td>
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<tr>
<td>Market readiness analysis</td>
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<tr>
<td>SPP Policy Statement</td>
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<td></td>
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<tr>
<td>SPP Strategy Document (Action Plan)</td>
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<tr>
<td>Prioritization</td>
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<tr>
<td>Institutional arrangements (ex: certification)</td>
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<tr>
<td>Practical tools</td>
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<tr>
<td>Standard Bidding Documents which include sustainability criteria</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Manuals, National SPP Guidelines</td>
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<td></td>
<td></td>
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<tr>
<td>Training (policy makers, public officers, suppliers; pilot trainings)</td>
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<td></td>
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<tr>
<td>Whole life costing</td>
<td></td>
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<tr>
<td>Monitoring system (volume of sustainable products procured)</td>
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</tbody>
</table>

**TABLE 5: RELIANCE ON POLICY AND PRACTICAL TOOLS IN GHANA, KENYA, AND BANGLADESH**

Box 2 on the following page provides some more information on the objectives of a Market Readiness Analysis, which can help identifying those areas of the market that can easily respond to the inclusion of sustainability criteria in public procurement without representing additional cost to public entities. The Market Readiness Analysis can also include sectors, which are not fully prepared yet and are more expensive at the outset but may have been targeted as potential growth sectors in economic development policies. For example, countries may have plans to stimulate growth in markets for energy-efficient equipment or water-saving devices and they may also have plans to promote the development of the local supply base, including SMEs. These factors will inform the selection of product and service categories, which are the focus of the Market Readiness Analysis to ensure that the analysis is relevant to the local policy (UNEP 2012d).

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\(^{13}\) All documents are still being finalized and have not been published yet; only pilot trainings have been conducted.

\(^{14}\) Some regulations exist but have not been fully implemented yet; awareness training is about to start and guidelines on green procurement are still under preparation.

\(^{15}\) Some provisions already exist in large civil work contracts.
The objectives of the Market Readiness Analysis are to:

- Assess the existing productive capacities for sustainable products and services in the country;
- Analyze the potential responsiveness of the market and the national business sector to SPP tenders;
- Determine the capacity to meet current and future public procurement requirements for sustainable products and services;
- Identify the relevant certification and verification instruments and tools, as well as gaps; and
- Assist in planning activities for the progressive introduction of SPP.

Comprehensive guidance materials have been developed over the time due to numerous initiatives at the European, national, and local levels. They are largely available online and include “buying green” and “buying social” handbooks, environmental and social procurement criteria including recommended award criteria, training toolkits, and guidance on how to establish a framework for SPP at the national and procuring entity level. Electronic tools have been published to support the calculation of LCC or CO₂ consumption and a variety of labels are used to help identifying sustainable product criteria and products. The publication *Public Procurement of Energy Efficient Products*, for example, includes a two-page list of available resources including examples of energy efficiency and broader life cycle costing calculators, training programs, technical specification catalogues, product lists, and energy efficiency labels (World Bank 2012f).

Sustainable procurement practices in the public sector are however still an understudied concept. A survey which included 280 public procurement practitioners from 20 mostly industrialized countries showed that a wide range of SPP practices are embedded to some degree in public sector procurement practices around the world and it also showed that the extent and nature varies significantly across countries (Brammer & Walker 2007). In European member states, technical specifications are most often used to introduce environmental criteria (66%), followed by award criteria (45%), and through requirements for technical and/or professional ability (44%). The introduction of the procurement document is used only by 11%. To introduce social criteria, requirements for technical and/or professional ability are most often used to introduce social criteria (40%) followed by contract conditions (33%) and award criteria (34%). The survey results also show that front-runners balance the various elements in the tendering process to capitalize on many possibilities to introduce environmental and social criteria (Kahlenborn et al 2011).

A model *Sustainable Procurement Process* has been developed sub-divided into five stages and presenting a variety of options for incorporating sustainability considerations throughout the process. The stages are: Preparation of the process; Defining the requirements of a contract; Selecting suppliers, service providers and contractors; Evaluation of tenders and award of contract; and Contract Implementation (Annex 8).

One instrument that can particularly help introducing SPP practices in procuring entities is e-procurement. Procurement processes in Chile, for example, are largely determined by its public procurement portal (www.mercadopublico.cl), which is an electronic bidding platform and includes the electronic catalogue *ChileCompraExpress* (ChileCompra 2012a). The products and services contained in the catalogue are based on framework agreements. 16 Entrepreneurial Centers throughout the country provide free Internet access, training, support and services to local enterprises and by reducing information inequalities, the
introduction of the electronic platform resulted in a level playing field with micro, small and medium enterprises throughout the country representing about 50% of the trade on the public procurement platform. The e-procurement system includes information on labels, certification, and corporate social responsibility and the electronic catalogue flags sustainable products and services allowing procuring entities to take these into account in their procurement decisions. The platform allows for the consideration of sustainability criteria at different stages of the procurement process such as the definition of sustainable evaluation criteria and the inclusion of standard contract management clauses for social considerations (ChileCompra 2010; ChileCompra 2012a; UNEP 2010b; Roos 2012b).

Each of the tools presented and discussed above have specific advantages and disadvantages. The advantage of the main policy tools is that they provide a comprehensive look at the whole picture. They identify baselines, risks and opportunities to implement SPP in a certain country. They ensure ownership, broad stakeholder engagement, alignment with national policy priorities and, based on a structured approach, they have the potential to set priorities, provide a robust legal framework for SPP, enhance capacities, and to encourage public officials, private enterprises and other relevant institutions to engage in SPP. Some of the tools may be perceived as too time-consuming or costly to apply. Their applications may require the support of experienced external consultants to cover the different legal, technical, or economic themes. It is therefore important to clearly define the scope of assessments and tap synergy effects with broader public procurement reform initiatives, i.e. to well-integrate the more specific SPP tools into the established set of assessment tools and capacity development plans for general public procurement reform. In doing so, it can be assured that SPP objectives and measures support other procurement principles such as competition, prevention of fraud and corruption, transparency, the development of local industries, etc.

The main advantages of the practical tools presented are that they help implementing SPP in daily procurement practices at the level of procuring entities. In many countries, SBDs, manuals, training programs and monitoring schemes already exist and they only need to be amended to include sustainability considerations. The challenge is to change mindsets and to build capacities enabling public procurers and private enterprises to fully understand and use the practical tools provided in a responsible and flexible way as deemed appropriate in a specific procurement case. Leadership will be important to ensure that a SPP policy formulated at the national level is applied in a way that it supports the objectives and the service delivery of the individual procuring entity (ministry, department, local administration or public entity).

Conclusions

The analysis of SPP implementation in Ghana, Kenya, and Bangladesh and comparisons drawn with experiences of middle- and high-income countries lead to the following conclusions:

- High-income countries are taking the lead in implementing SPP and some middle-income countries are catching up. Countries promoting SPP are aware of the environmental, social, and economic benefits SPP entails and they have – over the past decade – invested resources and built up policy and legal frameworks enabling the application of sustainable public procurement practices. In Europe, the most important driving force behind SPP has been increased awareness of environmental problems and related policies.

- Low-income countries are lagging behind. There are generally no policies in place that would link SPP with broader sustainable development goals and there are no action plans and no implementation measures related to SPP. The countries of Ghana, Kenya, and Bangladesh exhibit a wide variation with regard to awareness, approaches, and implementation status of SPP with Ghana pursuing the most systematic and comprehensive approach (but still lacking implementation), Kenya starting to include some sustainability considerations, and Bangladesh showing little awareness and action on SPP.

- Experiences in high-, middle- and low-income countries show that there is no “one size fits all” solution. The country context, the sector, and the characteristics of the goods or services to be procured have to be taken into consideration.

- One of the key messages reflected in the Cuzco Declaration of the Task Force on Procurement is that efficient and effective public procurement is a fundamental component of good governance and is intrinsically
connected and dependent on effective functioning of other parts of the broader public sector framework. This means that all public procurement reforms need to be linked and coordinated with wider governance reforms and that SPP needs to be linked with general procurement reform.

The benefits of SPP can be manifold and they are often mutually reinforcing. For example, green technologies can generate economic benefits (job and wealth creation), social benefits (employment, skill development) and environmental benefits (more efficient use or resources). Potential environmental benefits include contributions to meeting environmental challenges (climate change, soil degradation, etc.) and to achieving binding targets (for example on the reduction of greenhouse gas emissions) as well as positive effects on the local environment. Potential social benefits span from improved compliance with social and labor laws to improved living conditions and social justice (income equality, integration of disadvantaged groups, etc). SPP can also have economic benefits. It can lead to financial savings over the lifetime of a product and reduce the cost for societies caused by, for example, pollution. It can drive innovation, increase supplier diversity, and competition. In addition, SPP entails a number of potential indirect benefits. It can help raising consumer awareness and promote sustainable consumption and production patterns and SPP can help public entities to demonstrate responsible governance and improve public image and legitimacy.

Despite the evident benefits connected with SPP, challenges remain since sustainability considerations are generally complex in nature and best practices are still evolving. This is particularly the case in low-income countries, where procurement legislation is usually relatively new and capacities and law enforcement weak.

This poses the question of what is required for SPP to thrive in low-income countries. The analysis of the three country examples has shown that awareness of environmental and social problems, a sense of urgency as well as political willingness and country ownership are key. These factors can be considered “minimum conditions” for starting a SPP program. As exemplified by the experiences of European countries, an environment that allows SPP to thrive can gradually be built. In particular, a legal framework has to be put in place, which promotes the consideration of sustainability criteria throughout the procurement process. Capacity has to be built targeting the public and the private sector to ensure that the demand and the supply side understand new requirements and techniques connected with SPP. Ideally, an enabling environment for SPP includes economic factors such as the existence of an economy that encourages free market and competition and is supportive of investments and innovation. It also includes political factors (long term government vision formalized in national policies, targets, action plans, laws) and administrative factors (environmental and social laws; robust public procurement system based on the principles of economy and efficiency, fairness, transparency and accountability). Other important factors are socio-cultural factors (awareness of environmental problems; gender equality, etc.) and resources.

Depending on the country situation, there are concerns that the implementation of SPP may overstretch existing capacities and that local companies may not be ready for SPP and that these gaps could result in inefficiencies, higher costs for procuring entities, reduced competition, and increased corruption. There is also the perceived risk of SPP creating unfair competitive advantage for few (often large, international) firms able to comply with SPP standards. To mitigate these risks, due consideration should be given to the scoping and sequencing of SPP initiatives. A structured approach that looks at the whole picture (vs. a piecemeal approach) should be pursued. Countries have a variety of policy options at their disposal and based on policy objectives and assessment results, realistic goals for the implementation of SPP can be set, priorities defined and be gradually implemented (vs. a “big bang” approach). This could entail a selective approach applying SPP to certain sectors or products. Monitoring results can be used to continuously improve the program. Local enterprises could be supported to understand the new requirements and to gradually make their production processes more sustainable.

A pragmatic approach could be followed (vs. a dogmatic “yes” or “no” decision) in introducing SPP and in linking SPP to general public procurement reform. Some countries may look as SPP as “second generation pro-
curement reforms’ which should be implemented only once well-functioning country procurement systems are in place. Others may decide to use ongoing procurement reform programs to create synergies and to avoid SPP related amendments at a later stage. There is no right or wrong. The specific country situation should be taken into consideration.

Development partners can play a catalytic role in assisting developing countries in this decision-making and transformation process. They can lead by example and they can support developing countries in carrying out assessments, in evaluating policy options and implementation strategies, and in establishing an enabling environment for SPP by providing tools, knowledge and funds to overcome the prevalent lack of capacities and resources, in particular in low-income countries. This is the case in Ghana where the Swiss government provides SPP expertise and funds and where a methodology is applied that has been tested by several middle-income countries under the chapeau of the UNEP SPP Capacity Building Project. The engagement of development partners at an early stage of SPP reform programs could also facilitate donors’ decisions on the use of country procurement systems.
Overview of current policies and practices of development agencies

This chapter provides a brief overview of current policy and practice by bilateral and multilateral development agencies in general, and analysis of WB policies and practice in particular, regarding their application of SPP in developing countries, as well as identification of relevant lessons or good practice.

The World Bank

This chapter briefly outlines the Bank’s lending instruments and the role procurement plays in the project cycle. It describes the main features of the current procurement policy framework and focuses on how the World Bank presently applies/supports SPP in developing countries. The aim is to establish a baseline and to identify opportunities for the further inclusion of sustainability criteria in procurement policies, processes and tools.

WB lending instruments and the relevance of procurement

Until 2012, the two basic types of lending instruments the Bank has offered to its client governments have been investment loans and development policy loans. Investment loans provide financing for a wide range of activities aimed at creating the physical and social infrastructure of a country. In investment loans, the borrower has to comply with the WB procurement guidelines and procedures. By contrast, development policy loans provide non-earmarked general budget financing and the borrower’s own implementation processes and systems apply.

As part of an effort to reform the Bank’s lending model and to focus on results, a new lending instrument – Program for Results (PforR) – has been launched that supports government programs, links disbursement to results, and helps build client institutional capacity. PforR aims at using and, as appropriate, strengthening the programs systems including the program procurement system.

The Bank also finances Technical Assistance to help borrowers to design and implement lending operations, to undertake analytical work necessary to underpin reform or policy development and to strengthen human and institutional capacity for policy reform and sustainable development (World Bank 2011d, World Bank 2012h).

In FY 2012, the Bank approved approximately USD 35.3 billion in financial assistance, comprising about USD 20.6 billion in IBRD lending (lending to governments of middle-income and creditworthy low-income countries) and USD 14.8 billion in IDA support (interest-free loans and grants to governments of the poorest countries). In IDA countries, investment lending remains at the heart of Bank operations (88 percent of total). An estimated 95 percent of this lending is typically used for the procurement of goods, works and services and ICB remains fundamental to large contracts. In IBRD countries, lending is almost equally split in investment and development policy lending (World Bank 2012k).

WB project cycle and main linkages to procurement

The Bank periodically assesses the borrower’s national procurement laws, regulations, procedures and practices, and the responsible institutions to better understand the national procurement environment and risks related to procurement, to assess the suitability of the national procurement framework for Bank’s operations, and to guide the development of action plans to improve them. The findings of the country procurement assessment (CPAR) are referred to in loan agreements and are also incorporated into the Bank’s Country Assistance Strategy (CAS) or Country Partnership Strategy (CPS) to inform the Bank’s support for capacity development and other procurement reforms. In 2008 – 2010, the Bank also conducted a limited piloting program for the use of country systems. As indicated earlier, sustainability considerations are not part of the assessment tool commonly used by the Bank and by developing countries when assessing national procurement systems (MAPS). This deficiency results in missed opportunities both in terms of informing a country’s procurement reform strategy and in terms of establishing early linkages between the Bank’s assistance strategy and the issue of SPP.
Another instrument relevant for SPP are the Bank’s Safeguard Policies. Bank safeguards require screening of proposed projects financed through WB Investment Loans to determine the potential environmental and social risks and opportunities and how to address those issues. The Bank classifies the proposed project in risk categories and this categorization influences the required risk management and mitigation measures to be implemented (Environment Management Plan). The Bank also has a policy on gender and development aimed at assessing and suggesting gender-responsive policies and interventions that are relevant to reducing poverty and enhancing economic growth, human well-being and development effectiveness (World Bank 2011d, World Bank 2012h).

Today, the main focus of the Bank’s Safeguard Policy is on mitigating project related risks. To the extent relevant, risk mitigation measures are translated into specifications and other requirements especially for high value procurement. However, there is no specific guidance on how to incorporate such considerations into the procurement process. Moreover, the process does not include an assessment of adverse impacts at the level of goods, works or services to be procured regardless of the risk category of a project. In particular, there are no procedures in place to identify opportunities to reduce negative environmental impacts or to generate social or broader economic benefits through procurement. The Bank has launched a two-year process in 2012 to review and update its current environmental and social Safeguard Policies and this process may create new opportunities to strengthen linkages to procurement in general and to SPP in particular.

**WB Procurement policy framework**

The Bank is required to make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted and to pay due attention to economy and efficiency without regard to political or other non-economic influences or considerations. To comply with this requirement the Bank has issued the Procurement Guidelines governing the procurement of goods, works, and non-consultancy services (Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits by World Bank Borrowers) and the Consultant Guidelines governing the selection and employment of consultants (Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits by World Bank Borrowers). The guidelines apply to Bank-financed procurement (i.e. investment lending) and to the Bank’s review of borrowers’ procurement actions. They are an integral part of the loan agreement. The borrower is responsible for the implementation of the Bank-financed project including the award of contracts and contract administration. In case of a conflict between the loan agreement and the borrower’s national procurement laws and regulations, the loan agreement takes precedence (World Bank 2012h).

The Bank’s default procurement method is International Competitive Bidding (ICB) and the borrower is generally required to use the Bank’s Standard Bidding Documents (SBD). For National Competitive Bidding (NCB), and for the Use of Country Systems (UCS) under the Bank’s piloting program, the borrower may use its own SBDs if the Bank has assessed consistency with the Bank policy. Similarly, the Consultant Guidelines require the borrower to use the Banks’ Standard Request for Proposal (SRFP) and standard forms of contract for defined selection procedures. As part of project preparation and implementation, the borrower prepares and regularly updates a Procurement Plan (World Bank 2012h; Procurement Guidelines Para 1.3 and 1.4).

The Bank’s Procurement and Consultant Guidelines allow to a certain extent for the introduction of environmental aspects into the bidding process. For example:

- **Standards and technical specifications shall promote the broadest possible competition, while assuring the critical performance and other requirements for the goods and/or works under procurement (Para 2.19).**

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16 The Bank has 10 Safeguard Policies, which help to avoid, minimize, mitigate, and compensate for adverse environmental and social impacts in Bank-supported operations. They cover the following issues: environmental assessment, natural habitats, pest management, involuntary resettlement, indigenous peoples, forests, cultural resources, dam safety, international waterways, and projects in disputed areas. The Bank also has a policy to govern the use of borrower systems for environmental and social safeguards.

17 The Procurement Guidelines describe the following methods of procurement that can be used where ICB would not be the most economic and efficient method of procurement, and where other methods are deemed more appropriate: Limited International Bidding (LIB); National Competitive Bidding (NCB); Shopping; and Direct Contracting (Procurement Guidelines Para 1.3 and 1.4; Section III Other Methods of Procurement).
For goods and equipment, other factors that may be used for determining the lowest evaluated bid in addition to price include, among others, operating costs, safety and environmental benefits. Those factors, to the extent practicable, shall be expressed in monetary terms, or given a relative weight in the evaluation provisions in the bidding documents (Para 2.52). This means that the guidelines allow the use of technical specifications and award criteria including cost comparisons based on whole life/life cycle costing in the procurement of goods and equipment.

The Bank’s Procurement and Consultant Guidelines also take account of some social and economic considerations. Most notably:

- Under certain circumstances (in particular ICB), the inclusion of domestic preferences is permitted to bidders offering domestically manufactured goods, to domestic contractors for works, and to nationals among the consultant’s key experts when evaluating technical proposals for consultancy services (Para 2.55 of the guidelines).

- The General Conditions for the Procurement of Works (large contracts) include core labor standard clauses such as the prohibition of forced labor and harmful child labor, clauses on worker’s organizations and non-discrimination and equal opportunity (Section VII, General Conditions; 6. Staff and Labour).

The Procurement Guidelines also provide for community participation in procurement, performance-based procurement as well as briefing and debriefing procedures. Those measures help to target local suppliers or service providers, to increase access to the procurement market, and to promote innovative solutions.

Interviews indicate however that borrowers (and Bank staff) are not always aware of some of the more advanced procurement procedures such as life cycle costing or they are unsure when and to which extent they are permitted to use them. Overall, some provisions lack clarity and the guidelines fall short on a number of key leverage points for SPP. For example:

- The provisions on qualification criteria are very restrictive. Any conditions for participation shall be limited to those that are essential to ensure the firm’s capability to fulfill the contract (Para 1.6 of the guidelines), i.e. it remains unclear, if specific environmental and social experience and competencies can be considered when selecting a company or if exclusion criteria would be permitted that would apply to companies that have breached environmental law or failed to pay social contributions.

- While there are some provisions related to the consideration of environmental benefits in determining the lowest evaluated bid in the procurement of goods and equipment, there are no provisions specifying if or to which extent technical specifications and award criteria can be used to account for the consideration of social or broader economic criteria. It also remains unclear if disposal costs can be included in price comparisons.

- The clauses on domestic preferences may be considered inconsistent since preferences are permitted in ICB but they are not permitted in NCB procedures although foreign companies may participate in these bidding processes.

- On the same note, standard labor clauses apply to large civil work contracts but they are absent in smaller civil work contracts and they are not included at all in the General Conditions for procurement of goods and services.

- There are no provisions with regard to the acceptability of a bonus system that would provide incentives to deliver products that exceed defined environmental requirements. In general, the phase of contract implementation is not used to generate positive environmental, economic or social impacts.

It can be concluded that the current guidelines do provide some flexibility to address SPP but there is a lack of guidance material that would clearly outline already existing options to address SPP including the use of life cycle costing. Also, as indicated above, there is room to address SPP in a more robust way in the ongoing review of the WB procurement policies and procedures.

Annex 9 summarizes the existing provisions of the Bank’s current Procurement Guidelines, which can play out in favor of SPP.
WB Management arrangements to support SPP

The term “sustainable procurement” is not widely used within the WB. Instead, SPP related issues are referred to as “environmentally and socially responsible procurement” (ESRP). The WB Intranet defines ESRP as follows: “Procurement is considered “environmentally responsible” when environmental aspects are incorporated into purchasing choices along with economic factors such as price, quality, and performance. Similarly, procurement is “socially responsible” when issues of poverty reduction, income inequality, labour standards, human rights, and human health and safety are considered in the purchase and use of various products and services” (World Bank 2012m).

The Bank has established an ESRP initiative, which is a cross-sector collaboration among the Operations Procurement Anchor unit (OPCPR), Environment Department, Legal Department, and Corporate Procurement Department aimed at raising awareness, disseminating best practices, and assisting staff and clients on how Bank projects can be designed and implemented through ESRP. In the context of the ongoing procurement review, studies on green procurement, the Bank’s policy on domestic preferences, and on achieving social diversity through the use of supplier preferences in the procurement process were prepared (World Bank 2012c, World Bank 2012d, World Bank 2012l).

Some of the guidance provided and published on the Intranet is however still in draft status. For example, in 2007, OPCPR prepared a draft guidance note titled Green Public Purchasing (GPP; updated in November 2007). The draft guidance note outlines the rationale for including GPP in the development agenda of client governments and highlights options clients have in incorporating environmental requirements in the technical specifications of goods and equipment procured under Bank Guidelines. The paper includes a list of the types of goods generally procured under Bank lending operations with potential environmental aspects that might be included in technical specifications and provides some hands-on recommendations on methods to be used. While the GPP paper is used as a reference tool it has not been formally endorsed by OPCS. This creates uncertainties and confusion with regard to its status. There is no specific mandate for Bank staff (or funds provided) to engage in SPP/ESRP initiatives (World Bank 2011b).

Other bilateral and multilateral development agencies

This chapter provides a brief overview of current policy and practice by a few bilateral and multilateral development agencies regarding their application of SPP in developing countries.

United Nations Environment Program (UNEP)

Based on the work of the Marrakech Task Force on Sustainable Public Procurement (MTF), UNEP has been the most important international driving force promoting SPP in developing countries.

UNEP has further refined the MTF Approach to SPP and has developed implementation guidelines to assist countries in getting started and rolling out a credible and meaningful approach to SPP. UNEP’s SPP Capacity Building Project assists countries wishing to apply the Approach to SPP with regard to a wide range of activities. These include, among others: advise in setting up a project implementation structure; training directed at all stages of the SPP implementation process; guidance with regard to the use of assessment and planning tools and assistance in the insertion of sustainability criteria throughout the procurement cycle. With regard to establishing good procurement practices, the focus is on the following entry points: identifying needs and improving efficiency; defining the specifications and inviting bids; using eco-labels; evaluation and selecting suppliers; evaluating bids and awarding

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18 The term dates back to a former Environmentally and Socially Responsible Procurement (ESRP) Program, which was created in 2001 to strengthen environmental and social concerns in procurement processes for the Bank’s own facilities and for Bank-financed projects in client countries. Activities at that time included the “Interagency Sustainable Procurement Working Group” which was formed by the Bank, other multilateral development banks, UN agencies, and civil society organizations to share relevant experience and harmonize guidelines. This working group does not exist any more.

19 For example, the GPP paper mentions that – similar to the Bank’s current domestic preference allowance – a price advantage (e.g. 10 %) could be given to bidders demonstrating that environmental benefits are taken into consideration. However, there seems to be no such provision in the Bank’s Procurement Guidelines.
contracts; auditing and improving supplier performance; managing contracts for SPP (UNEP 2012d).

UNEP also encourages the development of a community of practice and facilitates the sharing of experiences and expertise amongst countries as they make progress on SPP. Launched during the Rio+20 Conference, UNEP has initiated the formation of a Sustainable Public Procurement Initiative (SPPI) aimed at scaling up the level of sustainable public procurement. SPPI is composed of a network of participants, an advisory committee and UNEP’s SPPI Coordinating Office. Network participants include a growing number of governments and institutions such as ministries for the environment or economic development from Brazil, China, Costa Rica, Denmark, Mauritius, the Netherlands, New Zealand, Switzerland, UK; public procurement institutions (Chile, Ecuador, etc.), sustainable development and sustainable procurement networks (IISD, IGPN, ICLEI), regional organizations (OAS, WAEMU) as well as training institutions (ITC-ILO), other UN organizations and NGOs. The African Development Bank participates as an observer. The SPPI is, among others, expected to enhance the performance of SPP programs and policies leading to stronger sustainable development and green economy impacts and to advance international coordination and cohesion of SPP activities (UNEP 2012e).

Asian Development Bank

Its Environment Policy mandates that the Asian Development Bank (ADB) addresses the environmental aspects of its operations through, among others, a systematic approach to the purchase of goods and services that are less damaging to the environment than other goods and services that serve the same purpose. Following discussions with other multilateral development banks, UN organizations and other stakeholders, ADB developed its reference guide “Environmentally Responsible Procurement. A Reference Guide for Better Practices”.

This handbook provides guidance to ADB staff, consultants, and executing agencies in designing and implementing environmentally sound projects. The guide provides the concept of environmentally responsible procurement (ERP) and follows a systematic approach to advice on its incorporation in project planning, environmental assessment, detailed engineering designs, procurement, and construction of project facilities. Standard clauses are recommended for TORs and for insertion in loan agreements and the roles of ADB staff, borrowers, executing agencies, suppliers and contractors in ERP implementation are defined. The guide encourages making changes in standard practices to better reflect environmental mitigation measures in bidding documents and to make use of opportunities to, for example, enhance the safe use of hazardous substances, resource efficiency, waste management, workplace health and safety and construction practices. The paper also stresses that ADB will encourage developing countries in the development of ecolabeling and in other voluntary compliance mechanisms (ADB 2007).

It was noted by ADB that, at the MDB Heads of Procurement meetings earlier this year, the issue of looking at ways to more effectively bring in “quality” and “sustainability” considerations in bid qualification and evaluation criteria has been the subject of discussion and has centered on whether MDBs need to permit differential bid evaluation standards for particular types of procurement to account for sustainability, more specifically, whether MDBs should, for example, use “economically most advantageous tender” as a bid evaluation standard rather than exclusively relying on the current MDB standard which is the lowest evaluated bid. Although, since the current standard is not exclusively price based and also permits other relevant factor to be considered in bid evaluation, ADB uses the flexibility already provided to address green procurement issues.

ADB has also enriched the policy discussion through a number of publications dealing with certain elements of SPP. The paper “The Strategic Importance of Public Procurement” highlights the role more efficient and strategic public procurement can play to combat corrosive effects of recession and to win fiscal space. Cost-effective value for money in public procurement is also seen as a valuable policy instrument by which governments can increase employment, target sector growth and industrial policy, and promote the development of new innovative and sustainable products. Another brochure entitled “SME Development. Government Procurement and Inclusive Growth” discusses procurement as a distributive tool aimed at reducing discrimination in procurement against small firms or other targeted groups in order to promote inclusive economic growth, an important institutional
theme at ADB (ADB 2011; ADB 2012). Another paper on Free Trade Agreements and procurement related provisions is in preparation.

Bilateral development agencies

In the context of this study, a few bilateral development agencies were asked if they were willing to share some information on their policies and practices related to SPP in developing countries. The feedbacks received from DFID, AusAID, Danida, KfW and GIZ are briefly summarized below.

DFID explains that the comprehensive UK Government SPP policy and action plan also applies to procurement contracted by DFID overseas. Good procurement is defined as getting value for money, i.e. getting a product that is fit for purpose, taking account of the whole life cost, and following a set of defined general principles. The policy also sets out measures to ensure that procurement supports the achievement of the government’s sustainable development goals (HM Treasury 2007). DFID staff is expected to be familiar with the key elements of this policy and incorporate it, where feasible, into program design. The Business Case template provides for this.20 As DFID increases the number of commercial advisers overseas, who will also get more engaged in procurement related issues, they expect to see more of SPP being reflected into their programs. DFID would however not seek to force this policy on governments of fragile and post conflict states where fairly fundamental problems still exist. Rather, DFID would seek to influence the gradual take up of such policies as capacity and maturity improves.

Achieving value for money21 is also the core rule of the Australian Commonwealth Procurement Guidelines (CPG). Price is not the only factor in assessing value for money. Other factors to consider include, but are not limited to: a. fitness for purpose; b. a potential supplier’s experience and performance history; c. flexibility (including innovation and adaptability over the lifecycle of the procurement); d. environmental sustainability (such as energy efficiency and environmental impact); and e. whole-of-life costs.” (Commonwealth of Australia 2012 p15). The CPG include provisions to ensure that SMEs can engage in fair competition and include exemptions for SME with at least 50 per cent indigenous ownership. When using partner government procurement systems, the national framework has to be consistent with the principles of the CPG. No further policy related to SPP in developing countries exists.

Danida reports that they have not established a policy or practice with regard to SPP in developing countries yet. KfW, who implements financial cooperation projects and programs on behalf of BMZ, is currently in the process to integrate sustainability criteria in a more systematic way into procurement procedures by adaptation of procurement guidelines and the elaboration of a practical guide for practitioners. GIZ, being in charge of implementing German bilateral technical assistance projects and programs in developing countries, is concerned with SPP in certain related areas, For example, on behalf of BMZ, the program “Social and Environmental Standards” promotes the introduction of social and environmental standards (often referred to as “labels”) in various sectors.

20 For example, it has to be specified in the project proposal how adequate competition in the supply of goods and services can be ensured. It is also advised that, where possible, specifications should be outcome focused to provide enough flexibility to encourage innovation and to help ensure that DFID delivers best Value for Money. If procurement is delivered through partner governments, procurement policies, capacities, systems and evidence about procurement outcomes have to be described in the project document (DFID 2011).

21 Value for money in procurement requires: a. encouraging competitive and non-discriminatory processes; b. using Commonwealth resources in an efficient, effective, economical and ethical manner that is not inconsistent with the policies of the Commonwealth; c. making decisions in an accountable and transparent manner; d. considering the risks; and e. conducting a process commensurate with the scale and scope of the procurement (Commonwealth of Australia 2012).
As elaborated in the Bank’s Procurement Policy Review Approach Paper, changes to the Banks’ policies and procedures are expected to lead to a new policy framework that articulates a clear set of objectives and robust principles and that provides for flexibility to adopt new concepts, moves from a one-size-fits-all to a fit-for-purpose approach, and better links procurement with the development effectiveness agenda.

A number of ongoing activities will inform this review process. Among others, an evaluation is being carried out by the Bank’s Independent Evaluation Group (IEG) assessing how the Bank has helped its clients develop better procurement capacity and improve public procurement systems and secondly, how the application of the Bank’s procurement guidelines in its investment operations has helped support its own development effectiveness objectives.

Taking into account that the “new architecture” is still evolving, the recommendations presented below focus on the following questions:

■ Why should SPP be reflected in the new WB procurement policies and practices?
■ What are the implications for the WB role in procurement?
■ How can SPP be reflected in the new WB procurement policy and practices?

**Why SPP should be reflected in the new WB procurement policies and practices**

There are 4 key reasons why SPP should be reflected in the new WB procurement policies and practices:

The first reason refers to the Banks mandate for sustainable development. The Bank is one of the key promoters and financiers of environmental upgrading in the developing world knowing that environmental resources provide sustenance and a foundation for social and economic development. The Bank also has a comprehensive approach to social development focusing on efforts to empower the poor through enhanced Bank support for social inclusion, cohesive societies, and accountable institutions.

In its publication “Inclusive Green Growth. The Pathway to Sustainable Development” the Bank emphasizes, that over the past 20 years economic growth has lifted more than 660 million people out of poverty and has raised income levels of millions more, but growth has too often come at the expense of the environment and growth has not been inclusive enough. As expressed by the WB Vice President of the Sustainable Development Network, Rachel Kyte: “Today, more than ever, we must pay attention to the triple bottom line. Inclusive growth must be green. Green growth must be inclusive.” (World Bank 2012n pxii). This clearly puts sustainable procurement on the agenda. SPP can leverage the work carried out by the Bank and its clients by incorporating the concept of sustainability into procurement policies and practices. By doing so, the Bank would recognize SPP as a crosscutting, integral element of a sustainable economy.

Secondly, the WB can demonstrate leadership in taking on the responsibility to incorporate the principle of sustainability in public procurement policy and practice. WB Procurement Guidelines that recognize the principle of sustainability would have considerable leverage with regard to country procurement systems and with respect to other financial institutions’ and development agencies’ procurement principles and standards.

Thirdly, WB funded procurement represents considerable purchasing power. Increased demand for sustainable products would make a real difference. SPP could help create awareness about the environmental, social, and economic impacts of public procurement, promote behavioral change, create demand for sustainable consumption and production patterns and drive markets to innovative solutions. By taking the cost of products and services over their entire lifetime into consideration SPP would ensure value for money and create financial savings over the longer term.

Finally, for these opportunities to materialize, a number of barriers limiting the uptake of SPP have to be addressed.
Developing countries which will account for the vast majority of global growth in income, infrastructure, and population in the coming decades will need to choose whether and to which extent to use SPP to support the implementation of their development objectives. They will need to establish conditions required for SPP to thrive and they will also need to create a solid framework and strengthen procurement capacities to effectively implement SPP in daily procurement practices. The World Bank would be well positioned to assist developing countries in making those policy decisions and in defining the path to incorporating the concept of sustainability in government procurement policies and practices.

Implications for the WB role in procurement

The implications for the World Bank role in procurement can be considered as falling in the following categories:

- First, by having a procurement policy framework for investment lending in place which more robustly and consistently incorporates sustainability criteria, the Bank would demonstrate strong leadership. This framework would provide considerable leverage with regard to systems and practices of client countries and other development partners. The Bank could promote new ways of working while ensuring that other important procurement principles are not compromised to achieve best value for money.

- Secondly, the Bank could assist developing countries in making policy decisions with regard to SPP and in designing and implementing SPP at the country, sector, and institutional level. Activities could range from policy dialogue to assistance in establishing conditions required for SPP to thrive to capacity building and monitoring of outcomes.

- Thirdly, the Bank could connect and broker knowledge across institutional boundaries and provide tools that support the uptake of SPP. This could include partnerships on SPP with other development organizations, regional organizations, private sector associations, and developing countries. The focus could be on establishing an international community of practice in SPP and on agreeing on common diagnostic and implementation tools, which incorporate sustainability criteria.

The following instruments are key in defining the extent to which SPP can be integrated in the new WB procurement policy and practices:

- WB Procurement Guidelines
- Country Procurement Assessments (CPAR)
- WB Environmental and Social Safeguards Policies

**WB Procurement Guidelines**

Procurement under WB loans - as well as public procurement in general - has never been governed by cost considerations alone. The current procurement guidelines state that in practice the specific procurement rules and procedures to be followed in the implementation of a project depend on the circumstances of the particular case. Four considerations are defined which generally guide the Bank’s requirements: economy and efficiency in the implementation of the project; equal opportunities for eligible bidders from developed and developing countries; interest in encouraging the development of domestic contracting and manufacturing industries in the borrowing country; and transparency in the procurement process.

The new WB procurement guidelines should include “sustainability” as one of the principles to be considered. As is the case with all guiding principles, they have to be balanced out in practice taking the circumstances of the particular case into consideration. Trade-offs may be necessary in a particular case but the inclusion of “sustainability” as a principle could also reinforce other guiding principles. In more detail:

The principle of “economy” can be reinforced by underpinning the fact that price is not the only factor to be taken into consideration when selecting a bid for award (as already stated today in paragraph 2.17 and 2.49). Instead, life cycle costing, performance requirements that are not exclusively based on “minimum requirements”, and other means can be addressed pro-actively to encourage a more dynamic perspective on cost and quality during price evaluation to ensure better value for money. Encouraging framework agreements, which offer good entry points for sustainable procurement, can reinforce the principle of “efficiency” by bundling and tendering the procurement of lower value products which are needed on a regular basis and currently often procured using less competitive...
procurement methods. More explicit provisions on local procurement and supplier diversity (for example related to domestic preferences targeting certain disadvantaged groups) would generally be in line with the principle of “encouraging the development of domestic contracting and manufacturing industries” and they would not necessarily need to limit international competition because international suppliers are usually only interested in contracts above certain monetary thresholds. Transparency could, for example, be increased by more distinctively addressing in which stages environmental and social criteria can be taken into account in the procurement process. More specific recommendations are provided in the “how” section below.

Incorporating “sustainability” as a guiding principle in the WB procurement guidelines would provide a clear mandate to client countries, staff, and suppliers to take environmental, social, or broader economic criteria into consideration in specific bidding proceedings financed by the Bank. Moreover, the sustainability principle would define a new standard that would play in favor of a more coherent country based approach and that would result in stronger linkages between the Bank’s project cycle and the procurement function.

**WB Country Procurement Assessments (CPAR)**

As outlined in the previous chapter on WB current policies and practices, the Bank’s CPAR inform the Bank’s procurement strategy in terms of procurement modalities to be incorporated in loan agreements and with regard to the Country Assistance Strategy.

*The Methodology for Assessing Procurement Systems (MAPS)* is the common benchmarking tool developing countries and donors have agreed to use to assess the quality and effectiveness of national procurement systems. Currently, MAPS does not systematically address the three dimensions of sustainable procurement. This means that country procurement assessments usually fall short of addressing sustainability criteria in procurement. In case a country explicitly wants to approach SPP, a separate process outside the MAPS methodology becomes necessary.

A practical solution to close this gap and to integrate sustainability considerations into the broadly used assessment tool MAPS would be to enhance the current baseline indicator system by adding some sustainable procurement indicators (“s”-indicators) and related assessment criteria. Countries and development partners would have the flexibility to use this add-on module (“Sustainable MAPS” or “S-MAPS”) as deemed appropriate. “S-MAPS” would trigger more specific assessments such as prioritization studies or market readiness analysis as recommended in the MTF Approach to SPP and performance indicators could also be added, as appropriate. The findings would serve as a basis to inform the Bank’s lending operations and to develop procurement reform strategies, which take sustainability into account. To encourage broad application of the upgraded tool, input from developing countries and other development partners should be sought (see below).

Annex 10 presents a first draft of such a “S-MAPS” module providing more information on possible sustainability indicators and assessment criteria.

**WB Environmental and Social Safeguards Policy**

As outlined earlier, there are some linkages between the Bank’s Safeguard Policies and procurement but no specific guidance has been provided on how to incorporate such identified risk mitigation measures into the procurement process.

The Bank has recently launched a two-year process to review and update its current Safeguard Policies to better align the policies with the changing needs and aspirations of borrowers, the external context, and the business of the Bank. The review will consider ways in which an integrated framework could better ensure a comprehensive treatment of environmental and social risks and opportunities within an integrated assessment process. A number of areas that are not addressed under the current set of Safeguard Policy will be addressed in the review. These will include a number of issues that are also relevant from a SPP angle such as labor and occupational health and safety, gender, disability, the free, prior, and informed consent of Indigenous Peoples, land tenure and natural resources, and climate change (The World Bank 2012).

The Bank could use this review as an opportunity to strengthen linkages with procurement. Specific guidance could be developed on how to incorporate project related risk-mitigation measures and opportunities into bidding procedures to take better account of sustainability considerations.
To go even a step further, the Bank’s procurement and sector departments could work together in identifying high impact product groups financed under WB loans. Frequently procured product groups could be assessed in terms of risk (environmental and social impact), scope to do more (environmental and social improvement), market availability, economic efficiency, existence of easy to use criteria, availability of certifications system, etc. Based on this analysis, priority product groups for the integration of sustainability criteria could be defined and specific guidance could be provided to staff and clients such as existing catalogues of technical specifications, recommended contract clauses, or information on certification systems. For example, the Bank’s Energy Sector Management Assistance Program (ESMAP) has already taken steps in this direction by compiling lessons from around the world on public procurement of energy efficient products. A recent publication includes examples of energy efficiency and life cycle cost calculators, technical specification catalogues, energy efficient or green product lists and information on energy labels (World Bank 2012f).

Focusing on those three instruments - WB Procurement Guidelines, Country Procurement Assessments and the Bank’s Safeguard Policies - would ensure that systemic issues, the country context, project related risks and, to the extent possible, product related impacts and opportunities are taken into account in the decision making process. If the conditions are not considered right yet for SPP to be applied in a meaningful way in procurement proceedings, the WB and the borrower could agree on actions to work towards creating those conditions including legal reform and capacity building. Decisions should be made in dialogue between the WB and the borrower and agreements could be reflected in the loan agreement to ensure a fit-for-purpose approach. The borrower will be responsible for the implementation of the project.

How SPP can be reflected in the new WB procurement policy and practices

This chapter is structured as follows to correspond to the suggested new WB role in procurement:

- Procurement policy framework for investment lending
- Implementation of SPP in developing countries
- Knowledge sharing and partnerships

Procurement policy framework for investment lending

This category of recommendations refers to the new set of procurement policy guidelines and how they could better reflect sustainability considerations to impact procurement operations funded by the Bank through investment loans. As recommended in the previous chapter, the new WB procurement guidelines should include “sustainability” as one of the principles (“general considerations”) to be considered.

Some further elaborations will be needed in the new procurement guidelines to create a legal basis for borrowers for including sustainability criteria in procurement proceedings funded by the Bank. First, it should be explained what “sustainability” means and why this principle has been added to the list of general considerations. Secondly, the possibilities to integrate sustainability considerations into procurement proceedings should be set out.
Definition of sustainable procurement

The Bank could consider using the definition used in this paper, which coherently links procurement with the concept of sustainable development, i.e. aims to achieve value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy whilst minimizing damage to the environment:

“Sustainable Procurement is a process whereby organizations 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 organization, but also to society and the economy whilst minimizing damage to the environment.” (DEFRA 2006, p10).

A narrative could be added explaining what sustainable procurement typically entails in development cooperation. The recent WB publication initiated by the ESMAP program provides an example:

“Sustainable procurement typically looks more broadly at the “triple bottom line,” which includes economic, environmental, and social considerations. Different governments, however, have different ways of defining green and sustainable procurement and specifying, evaluating, and certifying products and services that meet their environmental and other sustainability criteria. Generally sustainable criteria involve the following:

- **Economic criteria** can go beyond the first cost to include LCC, promotion of new technologies, support of local manufacturers and suppliers, and other factors that ultimately provide economic benefits to the government and its citizens.

- **Environmental criteria** can include a wide range of attributes, such as energy and water efficiency, recycled and bio-based content, low carbon footprint, production using renewable energy or “organic” methods, cleanliness of manufacturing processes, longer lifespan, reduced toxic content, solid water generation, and so on.

- **Social criteria** also look beyond the upfront economic and environmental costs of products and services to include support for products made by ethnic minorities, disabled workers, women, or minority-owned businesses. Sustainable procurement is sometimes referred to as “ethical” sourcing and includes preferences or mandates for manufacturers that adhere to acceptable labor standards (e.g. fair trade, anti-sweatshop), provide access to health care and other benefits to their employees, and have adopted socially responsible practices.” (World Bank 2012f p 25, 26)

Possibilities to integrate sustainability considerations into procurement proceedings

The new guidelines should highlight already existing possibilities and provide more advanced options to integrate sustainability considerations into procurement procedures funded by the Bank. This would provide borrowers with a legal basis for taking economic, environmental, and social considerations into account. This section should not be too descriptive. The following measures are recommended:

- The new procurement guidelines should specify mandatory requirements. The Bank should make it mandatory to incorporate the 4 core labor standard clauses – which are already included in the General Conditions for Civil Works - in all contracts funded by the World Bank. The borrower should also be obliged to comply with additional requirements as deemed necessary by the WB safeguards policies.

- The new procurement guidelines should encourage flexibility through allowing a wide range of strategic options to include sustainability considerations in procurement proceedings funded by the Bank from which the borrower should be permitted to choose if they add value in a certain country/project context (optional requirements).

- The new procurement guidelines should, as a default option, accept additional provisions on sustainable procurement provided they are included in the national law. Conditions that are not acceptable to the Bank should be defined in the loan agreement. The Bank could use this option if other guiding procurement principles are disproportionally compromised such as transparency, competition, equal treatment of bidders, etc. The Bank’s decision could be informed by the CPAR or other, more specific or more recent assessments. The Bank could also engage in a broader policy dialogue.
with the government aimed at establishing provisions in the national law that are mutually acceptable.

- The guidelines should outline how compliance with mandatory requirements should be verified and monitored (on two levels: how the bank will assess borrowers and how the borrower shall assess its suppliers/contractors).

- Sustainable procurement is an emerging issue and the cutting edge is moving. Flexibility should be built in to update mandatory and optional requirements as new good practices are being established.

The new procurement guidelines should provide the legal scope to achieve the following highlighted outcomes:

**Preparation of the process**

The greatest influence on achieving sustainable procurement objectives can be exerted at the start of the procurement process. Sustainability strategies aim at achieving sufficiency, consistency and efficiency (Schaltegger & Petersen 2008). In procurement, sufficiency refers to the need to be identified to avoid unnecessary purchases. The consistency strategy relates to the level of innovation to deliver sustainable solutions. Market research should be conducted to determine if new technologies, new products, new innovative suppliers or advances in sustainable business practices could meet the operational requirements. The efficiency strategy refers to maximizing process efficiency. A good way to use an efficiency strategy is to use framework agreements to leverage environmental, social, technical, and market knowledge and demand and to increase competition at the same time. The efficiency strategy might also support increased supplier diversity by dividing procurement into smaller lots to make public procurement more accessible for SMEs or disadvantaged groups. Highlighting those critical upstream activities in the procurement guidelines would underpin the strategic function of procurement compared to the traditional transactional approach, which focuses more narrowly on tendering and contract award.

**Defining requirements**

When defining requirements, environmental and social impacts should be identified. The whole life cycle should be taken into account. Environmental impacts of supply and work contracts can be, for example: Material used to make the product; production processes; use of renewable raw materials; energy and water consumption during use; greenhouse gas emissions and air pollutants, durability/lifespan; opportunities for recycling or reusing the product; packaging and transportation; respect of land use or traffic. Possible environmental impacts of service contracts include: Technical expertise and qualifications of staff to carry out the contract in an environmentally friendly way; products and services used in carrying out the service; management procedures put in place to minimize the environmental impact of the service; energy and water consumed and waste generated in carrying out the service. Possible social impacts relate to: Social standards linked to the actual supplies such as accessibility standards for persons with disabilities; reservations of contracts for sheltered workshops or disadvantaged groups; measures to avoid accidents at work and conditions for safe storage of dangerous products, etc. (European Commission 2010; European Commission 2011c).

When drafting specifications, the perspective should move away from tight product specifications to output/outcome-based definition of requirements to make better use of innovative solutions available on the market. Other innovative approaches include: The use of variants (they define minimum requirements but allow for more environmentally friendly solutions); the use of common product criteria sets (based on available technical specification catalogues; they often also include information about verification methods); or the requirement that works, supplies or services comply with requirements from a specific label certifying environmental, social or other characteristics. The WB should also consider allowing reference to production processes. The EU’s proposal for the new EU procurement directives, for example, includes a provision allowing procuring entities to refer to all factors directly linked to the production process in the technical specifications and award criteria, as long as they refer to aspects of the production process which are closely related to the

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22 Conditions for the use of labels could be defined ensuring that the certification scheme in question must concern characteristics linked to the subject-matter of the contract, be drawn up on the basis of scientific information, established in an open and transparent procedure and accessible to all interested parties. Alternative labels and means of certification should be accepted. (European Commission 2011c).
specific production or provision of the good or service to be purchased (European Commission 2011c).  

**Selecting suppliers, service providers and contractors**

Qualification criteria should include taking into account specific environmental and social experience and competencies in addition to other criteria when selecting a company. Exclusion criteria should be permitted that would apply to companies that have breached environmental law or failed to pay social contributions (exclusion criteria). In particular, if the breach constitutes professional misconduct according to national legislation such as clandestine employment or violation of national rules on health or safety at work. The new **UNCITRAL Model Law on Public Procurement**, for example, which is used by many developing countries to design their own procurement systems, takes those aspects into consideration (UNCITRAL 2011).

**Evaluation of tenders and award of contracts**

From a sustainable procurement perspective it is important that the rules concerning evaluation criteria and procedures allow for the selection of the economically most advantageous tender. This implies that other award criteria can be taken into account beyond the purchase price to stimulate sustainability and ensure best value for money.

Article 11 of the **UNCITRAL Model Law on Public Procurement**, provides some guidance on the factors to be included. Among others, criteria could include: price; operating, maintenance, repair (and disposal) cost; delivery time; functional and environmental characteristics; terms of payment; margin of preference for the benefit of domestic suppliers or contractors or for domestically produced goods or any other preference, if authorized or required by the procurement regulations or other provisions by the law of this state (not limited to ICB).  

The **UNCITRAL Model Law** also contains provisions to ensure that this provision is compatible with other procurement policy goals such as transparency and fairness but stating that to “the extent practicable, all non-price evaluation criteria shall be objective, quantifiable and expressed in monetary terms” (Article 11, Para 4) and by mandating that all evaluation criteria and any relative weights established have to be set out in the bidding documents (Article 11, Para 5). The current WB procedures mandate that bid evaluation for works shall be strictly in monetary terms.

Techniques that would advance the consideration of sustainability criteria include the following: Matrix comparisons, relative weightings; merit points, bonus/malus systems. The lifespan of the product needs to be considered and a discount rate to future costs should be applied to determine the net present value (already applied in large investments).

The WB should also take a stand with regard to the extent to which external environmental costs can be considered. The EU proposal, for example, goes beyond the **UNCITRAL** definition and gives procuring entities the possibility to base their award decisions on life-cycle costs covering all stages of the existence of a product or works or service. The cost to be taken into account can also include external environmental costs (such as greenhouse gas emissions) if they can be monetized and verified (European Commission 2011c).

**Contract implementation**

The new WB Procurement Guidelines should also address contract performance clauses. Contract performances clauses are generally the most appropriate stage in the procurement process to include social considerations such as the obligation to comply with fundamental human rights guaranteed by the ILO core conventions; the obligation to recruit unemployed persons, local workers, or persons with disabilities; or to set up training programs. Contract performance clauses can also be used to include environmental considerations such as the obligation to reduce transport impact, to reuse/recycle packaging, to deliver reports on greenhouse gas emissions caused in delivering products, minimization of waste and efficient use of resources such as electricity and water on a construction site, or the application of specific environmental management measures for construction works. Monitoring arrangements could provide financial incentives for exceeding baseline targets and disincentives for poor performance such as penalties or other remedies.

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23 This excludes requirements not related to the process of producing the products, works or services covered by the procurement, such as general corporate social responsibility requirements covering the whole operation of the contractor.

Applicability of a differentiated approach

The question of when and how to consider sustainability will require judgment on behalf of the procuring entity. Each procurement has different sustainability impacts, i.e. there is no one size fits all.

Country type

It may be easier to apply SPP in a high-income country where buyers and suppliers are more familiar with the concept of green or sustainable procurement and where more experiences in applying advanced public procurement practices (such as life cycle costing) exist and certifications systems are available. On the other hand, developing countries import many products and there is no reason why they should not take advantage of global innovation.

In ICB, the WB could support sustainable procurement regardless of the readiness of the local market to deliver sustainable products by assisting the borrower in the bidding process and during contract administration to enforce contractual obligations. This should be seen as a measure to support an already existing or emerging national policy agenda. New modalities to benefit the local economy could be developed, tested and refined with regard to, e.g. sub-contracting of local enterprises, hiring of skilled local workers, transferring know-how, or supplementary support to local firms to strengthen their adoption of sustainability standards and ability to compete, so that SPP in ICB would neither be seen as a hindrance to local socio-economic development nor as an approach that would give international companies an unfair competitive advantage.

In national bidding procedures, the local market may not always be prepared to deliver sustainable products but there may be areas where the market is ready and other segments, where reliable public demand is needed to stimulate local innovation, help achieving economies of scale and increase the competitiveness of local industries in the long run. In line with national policy priorities, a list of prioritized products and services could be identified and SPP be applied in the WB funded project. The WB could support the borrower in assessing the level of readiness of the market and to promote more sustainable production patterns.

In low- and middle income countries socio-economic issue may sometimes be more relevant than environmental criteria such as increasing the access of SMEs and disadvantaged groups (women, youth, disabled) to the public procurement market or using procurement opportunities to reduce unemployment of local workers (see below).

In any case, WB funded projects could provide resources to create awareness and strengthen country ownership, for example by supporting a S-MAPS assessment to evaluate in which areas SPP could be beneficial for a country. They could also assist in building SPP capacities in client governments and pioneer SPP application in a country.

Sectors, project types, and sizes

The Bank’s Sustainable Development Network covers a wide range of economic sectors: agriculture and rural development; energy; environment; global ICT; infrastructure; oil, gas, and mining; social development; transport; urban development; and water, as well as sub-national activities and would be well positioned to spearhead the application of SPP in Bank funded projects.

As mentioned before, the Bank’s procurement and sector departments could work together in identifying high impact product groups financed under WB loans. Frequently procured product groups could be assessed in terms of risk (environmental and social impact), scope to do more (environmental and social improvement), market availability, economic efficiency, existence of easy to use criteria, availability of certifications system, etc. Based on this analysis, priority product groups for the integration of sustainability criteria could be defined and specific guidance could be provided to staff and clients such as existing catalogues of technical specifications, recommended contract clauses, or information on certification systems.

The ADB, for example, has developed and published specific guidance for site selection, design, operation and construction of the following project types: roads and highways; thermal power plants; power transmission projects; hydropower projects; sewage treatment projects; solid waste management projects; irrigation; airports;
ports and harbors; urban development; fisheries; forestry management and reforestation; as well as agro-industrial and petrochemical projects (ADB 2007).

In general, civil works, Turn-Key, and Supply & Installation projects offer large opportunities to consider sustainability criteria by focusing on sustainability impacts in the design phase, by applying advanced life cycle costing methodologies, and by incorporating incentives for suppliers to excel during implementation. Energy efficiency products provide a good example on how procurement can be made more sustainable across sectors.

In terms of size, there is also the option to divide contracts into lots to make them more accessible for SMEs. SMEs have a huge potential for job creation, growth and innovations and easy access to procurement markets can help them unlock this potential while allowing contracting authorities to broaden their supply base with positive effects of higher competition for public contracts. Concrete measures could be defined to remove barriers for market access by SMEs or special target groups such as SMEs owned by women, youth, or disabled persons.

To reduce trade-offs with efficiency and to avoid market distortion, ADB, in its upcoming publication “SME Development. Government Procurement and Inclusive Growth”, identifies a range of illustrative procurement-related policy options, in terms of potential level of market distortion. The least intrusive policy options involve pre-bidding approaches to promote streamlining and elimination of unduly restrictive or administratively burdensome requirements, as well as use of electronic procurement and unbundling (or breakouts) of procurement packages. Such policy options also include provision of targeted technical assistance and training for SMEs bidding for government contracts. More intrusive policy options involve mandating (or giving additional weightings in the evaluation for use of) SME subcontracting programs and/or provisions of special financial assistance and subsidies for SME to reduce their government bidding and other procurement-related compliance costs. The use of price preferences and set-asides for SMEs are considered the most potentially market distorting approaches (ADB 2012).

Lower value products, which are needed on an indefinite or repeated basis during a given period of time can be bundled to make procurement more efficient by tendering framework contracts. Such a strategic approach would allow spending more time on incorporating sustainability criteria in low value products and services that would otherwise not be targeted.

SPP is fully compatible with other public procurement objectives such as economy, efficiency, fair and open competition, transparency, etc. as long as the principle of sustainability becomes an integral part of the procurement cycle that ensures that transparent and competitive bidding procedures are in place, objective qualification and award criteria are applied, the right for bidders to appeal is secured, etc. Besides, public procurement will contribute to achieving social, environmental and broader economic policies.

**Implementation of SPP in developing countries**

This section submits general recommendations on how SPP can be implemented in developing countries. The focus is on capacity development and on the role the WB (and other development partners) could play to support this process.

**Capacity for SPP in LICs (vs. MIC)**

The first question is if the implementation of SPP in low- and middle-income countries requires different capacity development approaches. The analysis of country information and country examples has shown that sustainability criteria are generally not embedded in government procurement systems and practices in low-income countries. Since the same situation applies to many middle-income countries, it is suggested that approaches to enhance capacity for SPP can in principle be the same regardless of the country category. However, they do need to take the specific country context into consideration (see below).

The next question is if common tools exist to effectively and efficiently deal with the SPP capacity development challenge. The MTFP Approach to SPP has emerged as the only systematic approach assisting developing countries in implementing SPP. It consists of a number of useful tools to prioritize actions. The MTFP Approach to SPP is however not systematically linked to, and not embedded in broader public procurement reform processes in developing countries. This is why it has been recommended
earlier, that the MAPS tool should be enhanced to include sustainability criteria in order to better align and mutually reinforce SPP implementation and general procurement reform including the use of specific tools provided in the MTFP Approach to SPP (S-MAPS).

Thirdly, when deciding on the implementation of SPP in a specific country, the country context needs to be taken into account. As illustrated through country examples, political willingness is key and a government commitment for SPP needs to be long-term and well aligned with the country’s overall development strategy and action plans to ensure SPP implementation is embedded in a policy framework which consists of an appropriate mix of environmental, socio-economic, fiscal policies, etc. SPP implementation in a developing country needs to be based on a solid assessment of the country context including the country’s sustainable development strategy. It may not be feasible to address SPP in countries that are in a state of emergency where basic needs need to be satisfied first. It will also be difficult to embark on SPP where basic environmental awareness and protection and social laws are lacking.

It will certainly help if a country embarking on SPP has a strong procurement regulatory framework in place, which ensures economy and efficiency, equal opportunities to compete and a transparent procurement process. Market conditions and the level of procurement capacities at the institutional and individual level will impact entry points and the pathway to SPP implementation including the development of organizational and individual capacities.

On a broader note, to mainstream SPP in developing countries, a model has been developed. An outline of the model is presented in Table 6 below. The model is embedded in the principles of aid effectiveness (illustrated in blue), change management (pink), and capacity development (brown). The model addresses both the national level and the organizational, i.e. the procuring entity level. Major recommended objectives and management approaches at the national level comprise awareness raising, the development of an agreed set of SPP benchmarks, strategic planning and implementation processes that are adapted to the country situation as well as effective partnerships in international development cooperation. The recommended actions aiming at establishing a national SPP framework are further broken down to the organizational (procuring entity) level. Proposed objectives at the organizational level focus on the design and implementation of a strategy to embed sustainable public procurement in daily procurement practices (Roos 2012b).

The model recommends beginning with the change management principles of awareness and understanding. The S-MAPS tool presented in the previous chapter could, for example, be used to assess existing SPP capacities and to inform the design of the national SPP program. Clear goals should be set and a strategic plan should be developed and implemented that engages key stakeholders and includes the monitoring and evaluation of results and impacts of the SPP program.
### Mainstreaming SPP at the National Level

#### Objectives:
- Create awareness of the benefits of SPP
- Share experiences of ongoing SPP programs
- Develop and agree on SPP benchmarks and common assessment tools
- Look at the country context to ensure that the conditions and the approach are right
- Conduct an in-depth assessment to inform the design of the national SPP program

### Mainstreaming SPP at the Organizational Level

#### Objectives:
- Understand the national SPP framework
- Assess implications and relevance of SPP for the procuring entity
- Conduct an in-depth assessment to inform the design of the procuring entity’s SPP program

### Stakeholder Engagement

#### Objectives:
- Define the procuring entity’s procurement policy and strategy
- Implement the procuring entity’s SPP strategy
- Monitor and evaluate the procuring entity’s SPP implementation and the impacts of SPP
- Establish a partnership of effective development cooperation for SPP

### Ownership, Alignment, Harmonization, Mutual Accountability, Managing for Results

#### Objectives:
- Make a difference and effect change: SPP implementation
- Monitor and evaluate implementation and the impacts of SPP
- Establish a partnership of effective development cooperation for SPP at the procuring entity level

#### Experiences in high and middle-income countries suggest that, in general, a country should start with a limited number of product groups or sectors to build a reputable program (prioritization based on national policy context and to have a voluntary set of sustainability criteria first to allow the mechanism to be tested and disseminated.

As experience is gained, more requirements could be made mandatory. ESMAP, for example, suggests to make the energy efficiency product policy mandatory as experience is gained or to consider making procurement of energy efficient products the default option. Some requirements, which are based on legal obligations (such as compliance with core labor standards or obligations to pay taxes and social contribution) are often made mandatory and can result in not passing the qualification stage or in penalties during contract execution.

Another way to keep cost low and benefits high could be to focus on the implementation of SPP in a selected number of key procuring entities (for example: Ministry for the Environment, Health, Roads and Highways, etc.). Especially at the sector or entity level, development cooperation could play a catalytic role. Development partners could help drafting sustainable technical specifications and evaluation criteria based on life cycle costing. They could
assist in building a sustainable accounting system, assess the impacts of SPP and by demonstrating success also help reduce donor concerns about the feasibility of SPP in low-income countries.

The following is a list of areas where the WB (and other development partners) could support the implementation of SPP in low- and middle-income countries. For example:

- Awareness raising: Providing information and initiating further dialogue to build the case for SPP and the various benefits it entails.

- Policy dialogue: Considering public procurement reform including SPP implementation when assisting countries in defining development priorities and when developing the CAS.

- Cross-sector cooperation and stakeholder engagement: Assisting in establishing multi-stakeholder working groups to promote SPP implementation at the country/sector level. Participate in existing networks.

- Assessments: Taking SPP into account when assessing country/sector procurement systems; lead in the development of sustainability indicators for MAPS; assist with barrier and benefit analyses, legal reviews, prioritization exercises, analysis of existing local labels/certification schemes, and market readiness analyses.

- Strategy development: Assisting in strategy development customized to the countries needs and absorption capacity. Establish linkages to related ongoing WB initiatives, for example projects promoting sustainable production funded by IFC to generate synergies. Support donor coordination. Integrate SPP in WB guidance notes related to the strengthening of country procurement capacities.

- Capacity building: Help establishing conditions for SPP to thrive. Capacity building measures could include enhancing the legal and regulatory framework to allow for the integration of sustainability considerations; development of sustainable product criteria; establishing certification systems and/or benchmarking systems to assess and recognize existing certification systems, establishing certification infrastructure and product testing facilities; enhancing training strategies and programs to include SPP; promotion of life cycle costing.

Measures could also include the targeting of disadvantaged groups (women, youth, disabled) or SMEs to facilitate their access to the procurement market; using framework contracts for common use products; and establishing monitoring and evaluation systems.

- Leveraging with ongoing WB projects: “Champion” the implementation of SPP at the sector/entity level. Where feasible, add a SPP component to ongoing procurement reform programs.

- Research and Communication: Carry out impact studies and communicate best practices.

- Resources: Providing funds for capacity development initiatives (loans, grants, co-financing arrangements with other development partners as well as Trust Funds).

### Challenges/risks in implementation

The analysis of country experiences identified a number of challenges specifically related to SPP implementation in low-income countries (refer to Box 1). In the three countries analyzed, lack of capacity is the single most important challenge to SPP. This lack of capacity refers to all three levels of capacity, the enabling environment, organizations, and the individual level.

At the national level, capacity is needed to define a policy and to provide a strategic direction on the use of SPP. This requires the capacity to work across sectors and departments and to include the views of external stakeholders such as the private sector. It requires the knowledge to review the current procurement law and regulations to include sustainability criteria in different stages of the procurement process, to prepare country specific manuals, integrate SPP in existing training strategies, etc. Clear responsibilities and leadership skills are needed to set realistic objectives that mitigate the risk to overburden or disrupt the procurement system and to define priorities, manage and monitor this transformation process.

At the organizational level, procuring entities will need to learn more about broader environmental and socio-economic policies to ensure their effective implementation at the sector level. The national legislation may include some mandatory but also voluntary arrangements and the procuring entity can either take on progressive or defensive
strategies in implementing the national SPP policies. This entails the risk that a well-designed national program is not implemented by procuring entities. One way of mitigating this risk is early involvement of procuring entities in the national process. Also, the national program could engage a few well-suited pioneer procurement entities, which can form strong partnerships in their sector and with key national institutions (for example for product testing and certification) to establish good SPP practices in the country. Training activities, aimed at building up individual capacities to apply new tools and techniques would be necessary and could focus on key procuring entities that volunteer as pioneers.

There are also risks related to the supply side. Local suppliers may lag behind in terms of their capacity to manufacture or deliver sustainable products and may lack the financial and technological means to scale up their business processes. If SPP is introduced without taking the potential responsiveness of the local market into consideration, this could result in reduced competitiveness of local enterprises and reduced competition. To mitigate those risks, it is important to understand that SPP cannot work in isolation. SPP need to be part of a broader policy mix that creates an innovative business climate, encourages the development of market driven tools such as voluntary environmental and social standards, and supports the development of local enterprises. Also, by carrying out a market analysis, priorities can be defined that take into account what is already available in the country or what could easily be made available. The country could start with “quick win” products (sustainable alternatives exist, covered by labels, demonstrated WLC advantage, easily supplied). It could also target areas with a high sustainability potential such as the construction of buildings (large investments, high impacts, efficiency gains will offset initial higher investment). More challenging areas could be gradually introduced at the national level as capacities, tested tools, and good practices emerge. Sectors that are heavily dependent on international procurement could use ICB to in parallel support the national market, e.g. through sub-contracting or transfer of know-how as outlined earlier.

There are additional risks associated with preferential schemes targeting specific groups such as small and medium sized companies owned by women, youth, or disabled people. The targeted groups may lack the knowledge or specific skills required to access the public procurement market and there is also the risk that these schemes may also be misused. As outlined earlier, preferential schemes should be carefully designed to avoid market distortion and implementation should be closely monitored. Competition should be the default option (“competition among equals”) and the preferential treatment of eligible enterprises should be phased out (for example, after five years) to ensure their competitiveness in the market in the long term. Another possibility could be to strengthen target groups to make their participation in bidding easier (e.g. training, easier access to information) instead of giving them any upfront advantage.

In particular, cost and benefits for preferential schemes (where target groups get merit points or are the only eligible firms to participate) should be carefully weighed. Preferential schemes should therefore be carefully designed and implementation should be well monitored. The preferential treatment of eligible enterprises should be phased out over time to ensure their competitiveness in the market in the long run and to avoid market distortion.

Another risk area frequently addressed refers to corrupt practices in the tendering process and during contract execution. It is seen as a risk that introducing “quality factors” in qualification and bid evaluation could lead to unprincipled exercise of discretion, and that poor contract management including insufficient certification mechanisms could lead to the delivery of products and services which do not achieve the intended sustainability impacts. These risks can best be addressed by integrating sustainability considerations in broader public procurement and public sector reforms, which address transparency, oversight, accountability, anti-corruption measures, as well as improved contract management and law enforcement.

Risk management strategies should be developed to mitigate risks identified at the country or sector/project level. In this context, capacity development plays an important role.
Table 7 below presents some typical barriers and challenges that may need to be addressed. To understand and remove barriers and subsequently risks, possible root causes need to be defined. The table illustrates some generic root causes and categorizes them using the core issues for procurement capacity development that need to be addressed as defined in the UNDP framework for procurement capacity development. The column to the right presents possible management approaches (systems/concepts, tools) to overcome these barriers.

<table>
<thead>
<tr>
<th>Areas requiring further action</th>
<th>Barriers Possible root causes</th>
<th>Addressing core issues to overcome barriers</th>
<th>Management approaches (systems/concepts, tools)</th>
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<td></td>
<td>Core Issues/Functional capacities:</td>
<td>Institutional arrangement</td>
<td>Leadership</td>
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<td>Examples:</td>
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<tr>
<td>Lack of capacity</td>
<td>No conceptual understanding of SPP</td>
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<td>No SPP vision, policy, goals, direction</td>
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<td>No clear roles, responsibilities for SPP</td>
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<td>Unclear SPP processes</td>
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<td>Decentralization</td>
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<td>No sustainable specifications</td>
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<td>Verification of compliance is difficult</td>
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<td>No professional procurement cadre</td>
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<td>Insufficient resources and funds</td>
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<td>No incentives for SPP</td>
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<td>Lack of specialized technical expertise</td>
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<td>Lack of guidance material and practical tools</td>
<td>No country specific guidance material</td>
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<td>Guidance material is not disseminated</td>
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<td>Information lacking to apply WLC</td>
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<td>No internet connection</td>
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<td>Negative impacts on small and medium sized local companies</td>
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<td>High certification cost</td>
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<td>High cost for changing production processes</td>
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<td>Legal framework does not allow/encourage SPP</td>
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<td>Insecurities regarding legality of SPP</td>
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<td>SPP not embedded in procedures</td>
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<td>No political will, lack of public pressure</td>
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<td>Lack of monitoring tools for SPP</td>
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<td>No target, no indicators, no measurement</td>
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<td>No reporting of results</td>
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<tr>
<td>Market is not prepared to deliver sustainable products and services</td>
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<td>Not familiar with Sustainable SCM</td>
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<td>No awareness/support by private sector</td>
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<td>Inflexible budgetary mechanisms</td>
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<td>Budget law separates investment/recurrent exp.</td>
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<td>No whole life cost thinking</td>
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<td>Lack of knowledge related to environmental and social policies</td>
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<td>Low public awareness</td>
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<td>Unclear what policies mean for procurement</td>
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<tr>
<td>Donor guidelines do not allow/encourage SPP</td>
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<tr>
<td>Donor community has not broadly embraced SPP in developing countries yet</td>
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<td>Concern that it may favor corruption</td>
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<td>SPP is expected to increase the cost for public procurement</td>
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<td>WLC not used</td>
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<td>Lack of or distorted information</td>
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<td>SPP is too complex</td>
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<td>Parallel assessments, uncoordinated actions</td>
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<td>Multitude of new rules</td>
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<td>Actors not used to multi-stakeholder approach</td>
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| TABLE 7: ADDRESSING CORE ISSUES TO OVERCOME BARRIERS (ROOS 2012B TABLE 23) |
Overall, change management models and approaches should be recognized to ensure a successful implementation of a SPP project. The transformation of a traditional procurement system to a sustainable one involves transforming attitudes, conditions and resources at the three levels of the enabling environment, the organization and the individual. As research has shown, change typically fails because there is a lack of ownership and commitment, poor communication of the change initiative, lack of strategic alignment to the change initiative, no sense of urgency, obstacles to change, failure to create quick wins, lack of stakeholder engagement, lack of project management skills, lack of follow through, and budget limitations (OECD 2011b).

Knowledge sharing and partnerships

This category of recommendations refers to the Bank’s unique role to connect people and institutions to advance the concept of SPP. The WB has a global development mandate and regularly meets with regional development banks to harmonize procurement policies, guidelines, and tools. The WB has also been a driving force in the Task Force on Procurement, which brought multi- and bilateral development partners and more than thirty developing countries together to share country experiences, discuss issues of common interest and to introduce new tools that support the development of capacity and improved country procurement systems.

At the regional and country level, the WB is involved in numerous procurement related initiatives and working groups comprised of country representatives, development partners and regional organizations. The Bank is also well positioned to address the demand and the supply side of procurement considering that one of the five strategic priorities of IFC, the private sector arm of the World Bank Group, refers to ensuring environmental and social sustainability.

The WB could use this competitive advantage to connect and broker knowledge across institutional boundaries to champion the development of tools that support the uptake of SPP. This could include partnerships on SPP with other development organizations (including UN organizations), regional organizations, private sector associations, and developing countries. The objective could be to establish an international community of practice in SPP, which advances the concept, supports the development of common diagnostic and implementation tools, and evaluates and communicates the impacts of SPP.

The following actions could be considered:

- Engaging in international, regional and national networks on SPP to share knowledge, improve visibility of SPP programs, improve the performance of ongoing SPP programs and policies leading to stronger sustainable development and green economy impacts

- Cooperating with MDBs to harmonize policies, procedures and tools and in developing guidance material and training programs on SPP;

- Advancing international coordination and cohesion of SPP activities at the country/regional level through partnerships with governments, regional organizations, development partners, and other stakeholders engaged in SPP;

- Strengthening cooperation with IFC to generate synergies between initiatives targeting the demand and the supply side (sustainable production, the use of eco-labels, promotion of SMEs, etc.)

- Collaborating with research institutes to ensure cutting-edge knowledge on best practices and impact studies

- Establishing a clear mandate (and funds) for WB staff to promote and engage in SPP

- Taking on the integration challenge to ensure that the vision “sustainable procurement is good procurement” materializes.

The ongoing review of the WB procurement policies and procedures presents a unique opportunity to improve the development effectiveness of WB funded investment loans and grants. Sustainable public procurement could
become a momentous building block in a modernized WB procurement policy. Due to its leadership role, the impacts would go far beyond WB funded projects. By endorsing the concept of SPP, incorporating sustainability criteria into WB funded procurement, and by assisting developing countries in taping the benefits SPP entails, global and regional partnerships in procurement could be strengthened and procurement policy reform in developing countries could be reinvigorated and taken to a new level.
Annex
ToR

„Sustainable Procurement in LICs – Implications for the Ongoing World Bank Procurement Review”
For PN 09.2179.1-001.00
Contract No. 81150549

Context

The World Bank (WB) is currently undertaking its first comprehensive review of its procurement policies and procedures. The main objectives of this review are to incorporate worldwide best practices, find ways to support the Bank’s borrowers in strengthening their own procurement systems, simplify the current policies and procedures whenever possible, and enhance flexibility. The review process is divided into two stages and is expected to be concluded by the end of 2013.

The WB’s Procurement Guidelines have considerable leverage with regard to procurement systems in WB partner countries, as well as to other financial institutions’ and donors’ standards and principles. One of the issues that is currently discussed in this context is to what extent sustainability considerations (i.e. ecological, social and economic aspects) are reflected in WB procurement policy and practice.

Objective

The study is to develop a set of recommendations on why, the extent to which, how, and where sustainable public procurement (SPP) can be reflected in the new World Bank procurement policies, procedures and their practical applications.

To do so, the study is to

1. analyse how (i) SPP is currently reflected in policies, systems and practices of governments of low-income countries (LICs) and determine the difference to middle-income countries (MICs) in opportunities and barriers to policy implementation; and (ii) the World Bank and possibly other bi- and multilateral development agencies apply / support SPP in LICs.

2. formulate a set of recommendations on why, the extent to which, how, and where SPP can be reflected in WB’s procurement policies, procedures or other practical tools, how to apply it to different circumstances (sectors, countries, project types and sizes / procurement thresholds), and how to implement SPP (incl. recommendations for addressing internal process and capacity challenges). This should be done in the context and consideration of SPP’s fit with other procurement policy goals that the WB is (or should be) pursuing to promote good procurement practice.

The motivation for and focus of the study is to learn more on SPP in LICs in relation to the ongoing World Bank procurement policy review. Information on SPP in HICs and especially MICs is to be drawn upon via desk review as a basis for comparison and lessons learned.

Content of Study

The following section poses the main issues the consultant is expected to cover; it does not provide a table of contents. The percentages displayed below aim to illustrate the balance between different aspects.

1. Brief introduction and definition of sustainable public procurement (SPP) (5%)

2. SPP in developing countries, focus on LICs (70%)

   ▪ Status Quo and analysis of application of SPP in LICs (i.e. by LICs public sector) and identification of lessons of what works and what doesn’t / good practices through in-depth review of three low income country examples, addressing the following issues – and drawing comparisons to MICs (by utilising desk-based available information on those countries - where relevant, also to HICs) to highlight differences between LICs and MICs in terms of opportunities and barriers to policy implementation:

   ▪ Analysis of benefits / opportunities / rationale, costs25 and risks of using SPP in LICs, compatibility and possible trade-offs with other objectives (in particular VFM, efficiency, fair and open competition, prevention of fraud and corruption, transparency, local economy development, local procurement, UCS, donor harmonisation) and ways to address them

   ▪ Analysis of benefits / opportunities / rationale, costs and risks of using SPP in LICs, compatibility and possible trade-offs with other objectives (in particular VFM, efficiency, fair and open competition, prevention of fraud and corruption, transparency, local economy development, local procurement, UCS, donor harmonisation) and ways to address them

25 Costs do not necessarily need to be quantified.
Analysis of barriers / challenges in making it work, including managing costs, supervision and enforcement, trade-offs and risks: possible challenges may include: lack of capacity (at individual, organisational or systemic level), lack of (green) sourcing markets, lack of objective evaluation criteria, legal limitations due to membership in regional trade organizations, etc.

What are the main policy and practical tools for SPP in LICs? (Technical specifications, award criteria, life-cycle costing, etc.)

- What are the specific advantages and disadvantages of the relevant tools?
- What other effects do these instruments have with regard to other procurement policy objectives, such as competition, prevention of fraud and corruption, transparency, development of SMEs or local industries, etc.?

Analysis of requirements / conditions of making SPP work in complementarity with other good procurement principles and practices, including necessary supplementary measures / requirements outside of procurement policy (e.g. complementary national / sector policies and strategies, capacity of government and other actors, e.g. bidders, donor capacity / support) as well as requirements in introducing / implementing SPP (e.g. monitoring and supervision)

Brief overview of current policy and practice by bilateral and multilateral development agencies in general, and analysis of World Bank policy and practice in particular, regarding their application of SPP in developing countries, as well as identification of relevant lessons or good practice as applicable, looking among others at approach taken (e.g. differentiated approach with regard to different levels of relevance and application - e.g. different sectors, projects), fit with other procurement policy objectives, tools applied, implementation measures, opportunities and challenges faced, etc.

3. Recommendations (25%)

Formulation of recommendations for the World Bank (and LICs) on why, the extent to which, and how to reflect SPP in the new WB procurement policy and practices, addressing among others the following issues:

- Implications for WB role in procurement
- How to apply SPP to different circumstances? (applicability of a differentiated approach)
  - Differentiation of applicability by country type
  - Differentiation of applicability by sectors, project types, and sizes (with regard to the WB portfolio)
  - Differentiation between mandatory and optional requirements
- How can compatibility with other procurement policy goals that the WB is (or should be) pursuing to promote good procurement practice be ensured?
- How can SPP be implemented in LICs (vs MICs)?
  - What can be done to enhance capacity for sustainable procurement by LICs and by bilateral and multilateral development agencies, in particular by the WB, in support of LICs?
  - Challenges / risks in implementation

Outputs

The research is to provide a study of approx. 40 pages (excl. graphs and annexes as well as an executive summary of approx. 5 pages).

Use of Outputs

The study is to provide inputs to the ongoing World Bank procurement policy review. A first (partial) draft should therefore be ready by the end of October to be reflected in the first phase of the Review.

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26 Other multilateral and bilateral agencies’ policies are not supposed to be analyzed in detail. A brief overview of existing policies/best-practices suffices.
Methodology and Source Documents

The research should be based on a desk study and interviews. Interviews should be conducted with the WB, private sector representatives, the WB’s International Advisory Group on Procurement (IAGP), country representatives (of three exemplary low income countries27) and – if necessary, other donors.

BMZ, GIZ and World Bank are prepared to support the consultant in arranging interviews and providing documents.

Documents to review should include, but not be limited to:

1. WB Procurement and Consultant Guidelines (www.worldbank.org/procure);
2. WB Background Papers “Green procurement in selected environmental policy frameworks”
3. UNCITRAL Model Law and Guide
4. ICC recommendations for Sustainable Development / Green Procurement
5. if sensible: OECD study on International Procurement Regimes and the Scope for the Inclusion of Environmental Factors in Public Procurement

Timeline

Eschborn, August 30th, 2012-08-30
Katja Röckel

<table>
<thead>
<tr>
<th>TASK</th>
<th>RESPONSIBLE</th>
<th>DEADLINE</th>
</tr>
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<tbody>
<tr>
<td>Discussion of ToR with WB, IAGP, Consultant</td>
<td>BMZ &amp; GIZ</td>
<td>August 20th</td>
</tr>
<tr>
<td>Proposal of Country Cases</td>
<td>Consultant</td>
<td>September 21th</td>
</tr>
<tr>
<td>Decision on Country Cases</td>
<td>BMZ &amp; GIZ, Consultant</td>
<td>September 28th</td>
</tr>
<tr>
<td>First Draft of Part 2 w/o last bullet point</td>
<td>Consultant</td>
<td>October 31th</td>
</tr>
<tr>
<td>Feedback to first Draft</td>
<td>BMZ &amp; GIZ, WB</td>
<td>November 9th</td>
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<tr>
<td>Full Draft of all Parts</td>
<td>Consultant</td>
<td>November 28th</td>
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<tr>
<td>Feedback to Full Draft</td>
<td>BMZ &amp; GIZ, WB</td>
<td>December 10th</td>
</tr>
<tr>
<td>Final Draft</td>
<td>Consultant</td>
<td>December 19th</td>
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<tr>
<td>If needed: Another round of feedback by BMZ, GIZ, WB</td>
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27 The decision on which countries will be studied should be based on criteria developed by the Consultant in coordination with BMZ & GIZ. The (preliminary) criteria are: (i) LIC-status; (ii) availability of data/information; (iii) existing WB programmes/projects (especially Procurement Capacity Development Programmes); (iv) availability of local contacts willing to cooperate; and (v) English-speaking country.
# Annex 2:

## List of people interviewed

<table>
<thead>
<tr>
<th>Institution</th>
<th>Name</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AusAID</td>
<td>Mr. Matthew Fehre</td>
<td>Director</td>
</tr>
<tr>
<td>Bilfinger</td>
<td>Mr. Uwe Krenz</td>
<td>Senior Advisor to the Executive Board, Member of the WB IAGP</td>
</tr>
<tr>
<td>DFID</td>
<td>Mr. Robert Hyland</td>
<td>Senior Procurement Adviser, Member of IAGP</td>
</tr>
<tr>
<td>George Washington University Law School</td>
<td>Mr. Daniel I. Gordon</td>
<td>Associate Dean for Government Procurement Law, Member of the IAGP</td>
</tr>
<tr>
<td>GIZ</td>
<td>Ms. Laura Meissner</td>
<td>Advisor, Sector Project Environmental and Social Standards</td>
</tr>
<tr>
<td></td>
<td>Mr. Mathias Muehle</td>
<td>Component Leader Public Procurement, Kenya</td>
</tr>
<tr>
<td>MBW Consulting Ltd., Kampala (Uganda)</td>
<td>Mr. Patrick M. Batumby</td>
<td>Managing Director, Member of IAGP</td>
</tr>
<tr>
<td>Public Procurement Authority, Ghana</td>
<td>Mr. Sebastian Jerry Ackotia</td>
<td>Director Policy &amp; Strategy</td>
</tr>
<tr>
<td>Public Procurement Oversight Authority, Kenya</td>
<td>Mr. Henock Kirungu</td>
<td>Manager Policy &amp; Research</td>
</tr>
<tr>
<td>Swiss-Ghana Sustainable Public Procurement Project</td>
<td>Ms. Nadia Balgobin</td>
<td>Project Consultant</td>
</tr>
<tr>
<td>UNCITRAL</td>
<td>Ms. Caroline Nicholas</td>
<td>UNCITRAL Secretariat, Member of IAGP</td>
</tr>
<tr>
<td>UNEP</td>
<td>Mr. Farid Yaker</td>
<td>Program Officer</td>
</tr>
<tr>
<td>The World Bank</td>
<td>Ms. Myrna Alexander</td>
<td>Consultant, WB Procurement Review</td>
</tr>
<tr>
<td></td>
<td>Ms. Asha Ayoung</td>
<td>Lead Procurement Specialist, OPCPR</td>
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<tr>
<td></td>
<td>Ms. Elmas Arisoy</td>
<td>Regional Procurement Manager, East Asia and Pacific Region</td>
</tr>
<tr>
<td></td>
<td>Mr. Marcelo Donolo</td>
<td>Procurement Specialist, OPCS</td>
</tr>
<tr>
<td></td>
<td>Mr. Nicolaus von der Goltz</td>
<td>Advisor to the Executive Director for Germany</td>
</tr>
<tr>
<td></td>
<td>Mr. V.S. Krishnakumar</td>
<td>Special Adviser Procurement, Europe and Central Asia Region</td>
</tr>
<tr>
<td></td>
<td>Mr. Ian Nightingale</td>
<td>Lead Procurement Specialist, Procurement Policy and Services Unit</td>
</tr>
<tr>
<td></td>
<td>Mr. Marghoob Bin Hussein</td>
<td>Senior Procurement Specialist, Public Procurement Reform Project II, Bangladesh</td>
</tr>
<tr>
<td></td>
<td>Mr. I. Jaques</td>
<td>Senior Energy Specialist, ESMAP Program</td>
</tr>
<tr>
<td></td>
<td>Mr. Knut Leipold</td>
<td>Senior Procurement Specialist, Europe and Central Asia Region</td>
</tr>
<tr>
<td></td>
<td>Ms. Irina Luca</td>
<td>Lead Procurement Specialist, Operational Quality and Knowledge Services, Africa Region</td>
</tr>
<tr>
<td>Institution</td>
<td>Name</td>
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<tr>
<td></td>
<td>Ms. Idah Pswarayi-Riddihough</td>
<td>Sector Manager Environment &amp; Natural Resources Management, SDN Department – Africa Region</td>
</tr>
<tr>
<td></td>
<td>Mr. Allan Rotman</td>
<td>Lead Procurement Specialist and Hub-Coordinator, Accra, Ghana</td>
</tr>
<tr>
<td></td>
<td>Mr. Colin Scott</td>
<td>Operational Risk Management (OPSOR)</td>
</tr>
<tr>
<td></td>
<td>Ms. Elzbieta Sieminska</td>
<td>Lead Procurement Specialist, AFTPE (East Africa)</td>
</tr>
<tr>
<td></td>
<td>Mr. Jas Singh</td>
<td>Senior Energy Specialist, SDN Department, ECA Region</td>
</tr>
<tr>
<td></td>
<td>Mr. Pascal Tegwa</td>
<td>Senior Procurement Specialist and Hub-Coordinator, Kenya</td>
</tr>
<tr>
<td></td>
<td>Ms. Julie G. Terrell</td>
<td>Economist/Consultant, SDN Department</td>
</tr>
</tbody>
</table>
### 1. Person interviewed

Name:
Position:
Institution:
Role with regard to SPP:

### 2. How is SPP most commonly perceived in your country?
- Green or environmentally friendly procurement?
- Socially responsible procurement?
- Economically responsible procurement?
- All of the above?

### 3. Are SPP principles currently reflected in your country’s procurement systems?
- National policies on SPP?
- Procurement legislation includes rules/regulations governing SPP?
- Procurement guidelines include clauses on SPP?
- SPP Guidelines?

### 4. What are the main incentives (benefits, opportunities, rationale) to implement SPP?

### 5. Is SPP compatible with other objectives of public procurement?

a) Is SPP compatible with other objectives such as value for money, efficiency, fair and open competition, prevention of fraud and corruption, transparency, local economy development, local procurement, use of country systems, donor harmonization?

b) Which trade offs are necessary? What are the risks and ways to address them?

### 6. What are the key barriers/challenges in making SPP work in your country?

### 7. What are the main prerequisites/conditions for SPP implementation?
8. What is the current status of SPP strategy and implementation in your country?
For example:
- National Action Plan on SPP? (Content)
- Capacity development strategy/training program developed?
- Have procuring entities defined own strategies, targets, action plans? Are there any pioneers?
- Procurement Practices: What are the key intervention points in the procurement process?
- What are the main practical tools used?
- What are the specific advantages/disadvantages of the relevant tools?
- Monitoring: Number and value of procurement cases with sustainability criteria?
- Impact analysis?
- Practical examples?

9. What are the main lessons learned/good practices?
   a) Process
   b) Tools

10. Future SPP initiatives?
   a) Are there any ongoing/future initiatives in your country to promote/mainstream SPP?
   b) Should sustainability considerations become an integral part of public procurement reform in LICs, i.e. approaches and tools be integrated in procurement assessments and capacity development plans?

11. What could the World Bank (and other development partners) do to support SPP in LICs?
   a) How should SPP be reflected in the World Banks policies, procedures and practical tools?
   b) How should SPP be applied to different circumstances (sectors, countries, project types and sizes, procurement thresholds)? Should requirements be mandatory or optional?
   c) What would be required to implement SPP with the support of the World Bank?
   e) What could be done to enhance capacity for SPP by LICs and by bi- and multilateral development agencies, in particular the World Bank, in support of LICs?
   f) What are the challenges/risks in implementation?

12. Any particular observations/concerns on behalf of private sector representatives?

12. Further Comments?
Please feel free to make any further comments.
The *MTF Approach to SPP* is based on six main principles and guides countries through five steps in building an effective SPP program. The *MTF Approach to SPP* has been further refined by UNEP.

1. **Principles of the *MTF Approach to SPP***

The *MTF Approach to SPP* is based on the following principles:

- "Good procurement is sustainable procurement": SPP includes the three pillars of sustainable development: social, environmental and economic. Essential elements of SPP include transparency, fairness, non-discrimination, competition, accountability, and verifiability.

- Providing and demonstrating leadership through SPP: Senior level, influential champions help to promote and embed SPP and ensure that resources are provided for delivery. Organizations can demonstrate leadership by sharing best practice and encouraging others.

- Procurement can deliver on policy goals: SPP can contribute to deliver a wide range of government or organizational objectives. Strategies and objectives include efficiency, sustainable development, sustainable consumption, and production. Clear and consistent policies help procurers make good procurement decisions.

- Enabling the delivery of SPP: Policy makers, politicians, internal customers, suppliers as well as procurers have a role in enabling delivery. Procurers need to inform and engage the market early in the process. SPP requires the communication of a consistent message designed for the needs of various internal and external audiences as well as clear lines of accountability, with incentives and penalties for delivery.

- Implementation must be based on the principle of continuous improvement and on a life cycle approach. It should recognize benefits whenever they occur and should use a risk-based approach targeting the areas of highest impact or priority.

- Monitoring results and outcomes: Outcomes delivered through SPP can include: improved environmental performance (global and local goals such as CO2 emissions); cost savings including recognition of non-tangible benefits and costs; good governance; job creation; minority empowerment; poverty reduction; wealth creating; and transfer of skills/technology. SPP can also be used to generate more indirect benefits, within the boundaries of procurement rules, i.e. drive markets for innovative and sustainable solutions, enhance dialogue with civil society, etc. (UNEP 2012d).

2. **Steps of the *MTF Approach to SPP***

The methodology follows a step-by-step approach, which recognizes that countries have different legal procurement frameworks, different needs, different ambitions and different tools at their disposal that should be considered in defining the country strategy (UNEP n.d.). The keys steps of the *Approach to SPP* are as follows:

1. **Status Assessment**: The status assessment is a fast-track assessment based on an online questionnaire covering the three pillars of SPP to determine areas of success and areas where further work is needed. It can be used to check progress at a later stage.

2. **Legal Review & Market Readiness Analysis**: The legal review analysis assesses the national legal, regulatory, and institutional framework for public procurement and the legal possibilities to integrate SPP principles. The market readiness analysis assesses the availability of sustainable products and services, the responsiveness of the market, the national business sector response to potential SPP tenders and the capacity to meet current and future public procurement requirements for sustainable products and services. Legal Review and Market Readiness Analysis are based on ten guiding questions and include a prioritization exercise.

3. **SPP Policy and Action Plan**: The national SPP policy plan is expected to establish a clear direction and a mandate for implementing SPP. Elements should include objectives, priorities, products to concentrate...
on, a commitment to communicate the policy to the relevant stakeholders and to monitor key objectives and outcomes.

4. Training: A training and guidance package has been developed to raise awareness of SPP, provide the capacity to deliver training, and train staff from procurement, finance, legal, persons responsible for procurement and suppliers.

5. Implementation: Implementation of SPP in day-to-day procurement takes into account sustainability aspects within the procurement process including whole life costing. It results in changes in products and services purchased as well as changes in behavior of those involved in procurement. It leads to better products and services, which have less negative impact on the environment, help to save costs in the long term and contribute to social justice.

(UNEP 2012D)
The purpose of the Public Procurement and Disposal (Preference and Reservations) Regulations, 2011 is to promote local, national and regional industry and to support socio-economic development. Target groups and eligibility requirements are defined for benefitting from preference and reservations schemes. The key parameters set forth in the regulations are the following:

Target groups:

- Disadvantaged groups, in particular enterprises owned by women, the youth (aged 18 to 34) and persons with disabilities
- Micro enterprises (less than 10 employees; annual turnover not exceeding Kshs 500,000 equivalent to approximately USD 6,250) and small enterprises (a maximum of 50 employees and a maximum turnover of Kshs 5 million equivalent to approximately USD 62,500)
- Local contractors (firms registered in Kenya) and citizen contractors (owners and shareholders are Kenyan)

Scope of the Preference and Reservation Schemes:

- Applies in the following regions: constituencies; counties; local authorities
- Local preference can be given where citizen contractors are based and operate
- Exclusive preference can be given to local contractors in procurements using funds from the Constituency Development Fund and the Local Authority Transfer Fund
- National Reservations shall be granted to local contractors offering certain goods made or assembled in Kenya (motor vehicles, furniture, textile, foodstuff, etc.)
- Thresholds for exclusive preference to be given to citizen contractors are defined
- A margin of preference in the evaluated price of the tender shall be given to candidates offering goods manufactured, mined, extracted or grown in Kenya (6% - 15%, depending on the percentage of shareholding of Kenyan citizens)
- A foreign contractor may benefit from the preference and reservation scheme if it enters into a joint venture or subcontracting arrangement where the local contractor has a majority share

Eligibility and competition under these regulations:

- Procurement of goods, works and services shall be conducted using competitive procedure among the qualified target groups
- Eligibility criteria are defined and include the necessary qualifications, capability, experience, etc. to provide the goods or services to be procured;
- Registration by the Ministry of Finance is required
- To ensure maximum participation of disadvantaged groups and small and micro enterprises, goods, works and services may be unbundled in practicable quantities
- No tender securities are required from small and micro enterprises owned by disadvantaged groups (only tender securing declaration forms)
- Framework contracts with disadvantaged groups and small and micro enterprises are facilitated

Monitoring:

- PPOA shall monitor the application of the preference and reservations scheme.
- PPOA shall maintain and post on its website a register of all small and micro enterprises and disadvantaged groups
- The schemes shall be integrated in the procurement plans of procuring entities
- All procurement awards based on the scheme shall be reported to PPOA (PPDR 2011).
The UK Government Sustainable Procurement National Action Plan defined a series of “building blocks” public sector organizations can use to lead to rapid progress towards more sustainable procurement being delivered throughout the public sector. One of these building blocks is a framework of key behavioral and operational change programs (the Flexible Framework) which defines five stages of procurement performance (foundation level, embed level, practice level, enhance level, and lead level) and which comprises the following five key themes: People; Policy, Strategy & Communications; Procurement Process; Engaging Suppliers; and Measurement & Results.

### The Flexible Framework

<table>
<thead>
<tr>
<th>Foundation Level 1</th>
<th>Embed Level 2</th>
<th>Practice Level 3</th>
<th>Enhance Level 4</th>
<th>Lead Level 5</th>
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</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Sustainable procurement champion identified.</td>
<td>Key procurement staff have received basic training in sustainable procurement principles.</td>
<td>Targeted refresher training on latest sustainable procurement principles.</td>
<td>Sustainable procurement included in competences and selection criteria.</td>
<td>Achievements are publicised and used to attract procurement professionals.</td>
</tr>
<tr>
<td>All procurement staff have received basic training in sustainable procurement principles.</td>
<td>Key staff have received advanced training on sustainable procurement principles.</td>
<td>Performance objectives and appraisal include sustainable procurement actions.</td>
<td>Sustainable procurement is included as part of employee induction programme.</td>
<td>External awards are secured for achievements.</td>
</tr>
<tr>
<td>Review and enhance sustainable procurement policy in place endorsed by CEO. Communicate to staff and key stakeholders.</td>
<td>Ensure it is part of a wider Sustainable Development strategy.</td>
<td>Strategy developed and rolled out.</td>
<td>Strategy reviewed regularly, externally reviewed and directly linked to organisations’ IMS.</td>
<td></td>
</tr>
<tr>
<td><strong>Policy, Strategy &amp; Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enlarging sustainability objectives.</td>
<td>Simple sustainable procurement policy in place.</td>
<td>Augment the sustainable procurement policy into a strategy covering risk, process, integration, monitoring, supplier engagement, measurement and a review process.</td>
<td>Strategy developed and rolled out.</td>
<td>Strategy reviewed regularly, externally reviewed and directly linked to organisations’ IMS.</td>
</tr>
<tr>
<td><strong>Procurement Process</strong></td>
<td></td>
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</tr>
<tr>
<td>Expenditure analysis undertaken and key sustainability impacts identified.</td>
<td>Key contracts start to include general sustainability criteria. Contracts of significant value for money not awarded.</td>
<td>Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation.</td>
<td>Detailed sustainability risks assessed for high impact contracts.</td>
<td>Life-cycle analysis has been undertaken for key commodity area. Sustainability key.</td>
</tr>
<tr>
<td>Key contracts start to include general sustainability criteria.</td>
<td>Contracts of significant value for money not awarded.</td>
<td>Key contracts start to include general sustainability criteria.</td>
<td>Key contracts start to include sustainability criteria.</td>
<td>Performance indicators agreed with key suppliers.</td>
</tr>
<tr>
<td><strong>Engaging Suppliers</strong></td>
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</tr>
<tr>
<td>Key supplier spend analysis undertaken and high sustainability impact suppliers identified.</td>
<td>Key suppliers targeted for engagement and view on procurement policy sought.</td>
<td>Targeted supplier engagement programme in place, promoting continual sustainability improvement.</td>
<td>Supplier recognises the essential to delivery of organisations’ sustainable procurement strategy.</td>
<td>Supplier recognises the essential to delivery of organisations’ sustainable procurement strategy.</td>
</tr>
<tr>
<td><strong>Measurements &amp; Results</strong></td>
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</tr>
<tr>
<td>Key sustainability impacts of procurement activity have been identified.</td>
<td>Measurable improvements to the sustainability impacts of the procurement activity have been undertaken.</td>
<td>Sustainability measures refined from general departmental measures to include individual procurement activity and aligned to departmental objectives.</td>
<td>Sustainability measures refined from general departmental measures to include individual procurement activity and aligned to departmental objectives.</td>
<td>Sustainability measures refined from general departmental measures to include individual procurement activity and aligned to departmental objectives.</td>
</tr>
</tbody>
</table>

**SOURCE:** DEFRA 2006, P68, FIGURE 9
Potential barriers and challenges limiting the implementation of SPP have been analyzed mainly based on the European experience. They can be clustered as follows:

**Economic:** SPP is still often perceived as more costly and there is insufficient information on whole life cost of products or the cost of environmentally friendly products and services. Higher initial investments for sustainable products, tight budgets, and inflexible budget systems and accounting practices often pose an additional financial burden.

**Political:** There is often a low awareness of the benefits of sustainable products and services, which causes a lack of political commitment. SPP policies are not always well aligned with national development objectives or the individual procuring entity’s organizational goals.

**Legal framework:** Certain provisions of the procurement legislation may be unclear and procurement officers do not necessarily infer that the most economically advantageous tender should be the one with the lowest whole life cost. Some countries may need to modify their procurement law to be able to incorporate sustainability criteria and need to ensure that the provisions on SPP are not considered discriminatory under regional, bilateral or international trade agreement the country is party of (McCrudden 2004; Musters 2010).

**Cognitive:** Including environmental and social issues in purchasing decisions is a new concept also for procuring officers in Europe. Many public procurement professionals are unfamiliar with sustainable development principles such as WLC or calculating externalities, they lack the legal knowledge on how to incorporate social and environmental criteria into tender specifications and there is a further lack of practical tools, information and training.

**Regulatory policies:** There is a discussion whether SPP is a cost-efficient policy tool compared to economic policy tools that permanently change framework conditions such as taxes, subsidies, fees or emission permits (Brännlund et al n.d). Some critics argue that the consideration of environmental and social criteria is incompatible with the general principle of using only award criteria that are relevant to the procurement decision. Concerns include the notion that SPP would reduce competition, result in higher public expenditure, could be subject to misuse and increased corruption, and could increase the administrative burden in particular for small and medium enterprises (Isenheim 2010).

## Annex 8:
The Sustainable Public Procurement Process

<table>
<thead>
<tr>
<th><strong>Preparation of the process</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Define the need, avoid unnecessary purchases</td>
</tr>
<tr>
<td>2. Explore options to increase efficiency such as joint procurement or framework agreements to pool environmental, social, technical or market knowledge</td>
</tr>
<tr>
<td>3. Ensure compliance with the applying legal/institutional framework throughout the SPP process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Defining the requirements of a contract</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Define performance requirements and desired outcomes</td>
</tr>
<tr>
<td>2. Identify sustainable impacts/opportunities such as use of renewable raw materials, energy and water consumption during use, greenhouse gas emissions and air pollutants, durability/lifespan, recycling/reuse at end of product life, packaging and transport, waste, accessibility standards for people with disabilities, measures to avoid accidents at work and conditions for safe storage of hazardous material to safeguard health and safety for workers in service or works contracts, etc.</td>
</tr>
<tr>
<td>3. Consider use of output-based specifications to promote innovation; use variants; or define minimum standards in specifications.</td>
</tr>
<tr>
<td>4. Use existing criteria sets or eco-/sustainability labels for helpful suggestions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Selecting suppliers, service providers and contractors</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ensure qualification and tender documents include sustainability requirements, link criteria to subject-matter of the contract</td>
</tr>
<tr>
<td>2. Keep the process simple to encourage bids from small and medium sized enterprises</td>
</tr>
<tr>
<td>3. Advertise widely and in local media to promote supplier diversity</td>
</tr>
<tr>
<td>4. Communicate evaluation criteria to foster competition</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Evaluation of tenders and award of contracts</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Use appropriate techniques, such as matrix comparisons, relative weightings, bonus/malus systems to determine best value for money, in line with published criteria</td>
</tr>
<tr>
<td>2. Use whole life costing approaches where relevant to evaluate bids, consider lifespan of products and determine the net present value</td>
</tr>
<tr>
<td>3. Include the cost of externalities (such as greenhouse gas emissions), if they can be expressed in monetary terms</td>
</tr>
<tr>
<td>4. Debrief unsuccessful bidders</td>
</tr>
</tbody>
</table>
## Contract Implementation

1. Consider contract performance clauses to include social considerations (should be linked to the tasks which are necessary to execute the contract). For example, obligation to recruit unemployed persons or persons with disabilities; to set up training programs; comply with fundamental human rights guaranteed by the ILO core conventions if the supply chain is likely to involve production where these problems occur.

2. Consider including environmental considerations at the performance stage, for example: Having products delivered in the most appropriate quantity and outside peak traffic to reduce transport impact; reuse/recycling of packaging; reporting on greenhouse gas emissions caused in delivering products; minimization of waste and efficient use of resources such as electricity or water on a construction site; or the application of a specific environmental management measure for construction works such as EMAS or ISO 14001.

3. Define key performance indicators, measurable targets and stipulate acceptable performance levels.

4. Provide financial incentives for exceeding baseline targets/disincentives for poor performance.

5. Consider using the balanced scorecard methodology to monitor sustainability criteria.


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**Sources:** Roos 2012b based on recommendations provided in the EU manuals “buying green” and “buying social”, BSI 8903, and the manual published by the German Association of Cities “Die Berücksichtigung sozialer Belange im Vergaberecht (European Commission 2010; European Commission 2011b; Berry 2011; Deutscher Städetag et al 2009).”
Standards:
Standards and technical specifications quoted in bidding documents shall promote the broadest possible competition, while assuring the critical performance or other requirements for the goods/or works under procurement. As far as possible, internationally accepted standards shall be specified, ex. ISO standards (Para 2.19).

Evaluation and Comparison of Bids:
Evaluation and comparison of bids shall be based on the prices for the supply of goods including transportation and insurance, and prices for any required installation, training and other similar services. Other relevant factors in addition to price may be specified in the bidding documents to determine the lowest evaluated bid. For goods, other factors may include payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety and environmental benefits. To the extent practicable, those factors shall be expressed in monetary terms or given a relative weight in the evaluation provisions in the bidding documents (Procurement Guidelines, Para 2.49-2.54).

Domestic Preferences:
Under certain conditions (ex: ICB), borrowers are permitted to give preference to bidders offering domestically manufactured goods, to domestic contractors for works, and to assign points for participation by nationals among the consultant’s key experts when evaluating technical proposals for consultancy services.
(Procurement Guidelines, Para 2.55-2.56 and Appendix 2: Domestic Preferences).

Core Labour Standard Clauses:
The General Conditions for the Procurement of Works (large contracts) include the following Core Labor Standard Clauses: Prohibition of Forced or Compulsory Labour; Prohibition of Harmful Child Labour; Employment Records of Workers; Worker’s Organisations; Non-Discrimination and Equal Opportunity (Standard Bidding Documents for the Procurement of Works, Section VII. General Conditions, 6. Staff and Labour).

Community Participation in Procurement:
Procurement procedures in Community Driven Development projects may be simplified provided they meet the principles of economy, efficiency, transparency and fair competition (Para 3.17).

Performance-Based Procurement:
For specified outputs or services that meet certain specified standards, output based procurement can be applied, i.e. payments can be made for measured outputs in accordance with quantities delivered at the required level of quality. Those outputs aim at satisfying a functional need both in terms of quality, quantity and reliability (Para 3.14).

Pre-Bid Conference/Debriefing:
For works or complex supply contracts, a pre-bid conference may be arranged where potential bidders may seek clarifications (Para 2.18). Also, debriefing meetings with unsuccessful bidders are possible (Para 2.65).

Procurement of Secondhand Goods:
Under limited circumstances, the Bank may finance secondhand goods when they are considered to provide the most economic and efficient means of satisfying the project’s objectives (World Bank 2012h).

Alternative designs:
Bidding documents may allow for alternative designs, material, completion schedules, payment terms, etc. provided that conditions for their acceptability and the method or their evaluation are expressly stated (Para 2.17).
The Methodology for Assessing Procurement Systems (MAPS) is the common benchmarking tool for public procurement systems in developing countries. It addresses four pillars, twelve baseline indicators and fifty-four sub-indicators. It includes a scoring system with scores ranging from 3 to 0 for each baseline sub-indicator. A score of 3 indicates full achievement. A score of 2 is given when the system exhibits less than full achievement and needs some improvements in the areas assessed and a score of 1 is for those areas where substantial work is needed for the system to meet the standard (OECD 2010).

Currently, MAPS does not systematically address issues relevant for sustainable public procurement. As a consequence, the concept of sustainable public procurement is usually ignored in public procurement reforms in developing countries.

To provide an integrated public procurement assessment tool, which includes sustainability considerations, the MAPS tool has been amended. The new tool, named Sustainable MAPS or S-MAPS, systematically addresses economic, environmental, and social concerns, i.e. the three dimensions of sustainable public procurement. In detail:

- **S-MAPS Baseline Indicators:**
  A new baseline indicator system has been developed. Under each indicator, one new sub-indicator has been added. These new sub-indicators are called “s”-indicator; “s” stands for “sustainability indicator” (highlighted in red).

- **Assessment Criteria:**
  Assessment criteria have been developed for all newly established “s” indicators. The new assessment criteria allow for the assessment and scoring of issues which are important for the effective implementation of SPP.

### 1. S-MAPS Baseline Indicators

#### Pillar I – Legislative and Regulatory Framework

1. The public procurement legislative and regulatory framework.
   - a) Scope of application and coverage of the regulatory framework and public access to legislation.
   - b) Procurement methods.
   - c) Advertising rules and time limits.
   - d) Rules on participation and qualitative selection.
   - e) Tender documentation and technical specifications.
   - f) Tender evaluation and award criteria.
   - g) Submission, receipt and opening of tenders.
   - h) Complaints system structure and sequence.
   - s) Sustainability.

2. Implementing Regulations and Documentation
   - a) Implementing regulation that provides defined processes and procedures.
   - b) Model tender documents for goods, works, and services.
   - c) Procedures for pre-qualification.
   - d) Procedures for contracting for services or other requirements in which technical capacity is a key criterion.
   - e) User’s guide or manual for contracting entities.
   - f) Existence and coverage of General Conditions of Contracts (GCC) for public sector contracts.
   - s) Provisions on sustainable public procurement.
### Pillar II. Institutional Framework and Management Capacity

#### 3. Integration and mainstreaming of the public procurement system into the public sector governance system.
- a) Procurement planning and data on costing are part of the budget formulation and multiyear planning.
- b) Budget law and financial procedures support timely procurement, contract execution, and payment.
- c) Procurement actions not initiated without budget appropriations.
- d) Systematic completion reports are prepared for certification of budget execution.

#### 4. Normative and regulatory functions.
- a) Normative/regulatory functions are established and assigned (to one or several agencies) in the legislative and regulatory framework.
- b) The responsibilities include at least those required in this sub indicator (see description of the indicators and sub – indicators).
- c) Adequacy of organization, funding, staffing, and level of independence and authority (formal power) to exercise the duties under (b).
- d) Separation and clarity so as to avoid conflict of interest and direct involvement in the execution of procurement transactions.

#### 5. Institutional development capacity.
- a) System for collecting and disseminating procurement information and accessibility.
- b) Systems and procedures for collecting and monitoring national procurement statistics.
- c) Strategy and training capacity to provide training, advice and assistance to develop the capacity.
- d) Quality control standards and staff performance evaluation for capacity development.

### Pillar III. Procurement Operations and Market Practices

#### 6. Efficiency of procurement operations and practices.
- a) Adequacy of procurement competence among government officials.
- b) Procurement training and information programs.
- c) Norms for the safekeeping of records and documents related to transactions and contract management.
- d) Provisions for delegation of authority.

#### 7. Functionality of the public procurement market.
- a) Effective mechanisms for partnerships between the public and private sector.
- b) Private sector institutions are well organized and able to facilitate access to the market.
- c) Systemic constraints inhibiting the private sector’s capacity to access the procurement market.

#### 8. Existence of contract administration and dispute resolution provisions.
- a) Procedures are clearly defined for undertaking contract administration responsibilities.
- b) Contracts include adequate dispute resolution procedures.
- c) Procedures exist to enforce the outcome of the dispute resolution process.
### Pillar IV. Integrity and Transparency of the Public Procurement System

#### 9. Effectiveness of control and audit systems

- a) Legal framework, organization, policy, and procedures for internal and external control and audit of public procurement.
- b) Enforcement and follow-up on findings and recommendations of the control.
- c) The internal control system provides timely information on compliance to enable management action.
- d) The internal control systems are sufficiently defined to allow performance audits to be conducted.
- e) Auditors are sufficiently informed about procurement requirements.

#### 10. Efficiency of appeals mechanism.

- a) Decisions are deliberated on the basis of available information, and the final decision can be reviewed and ruled upon by a body (or authority) with enforcement capacity under the law.
- b) Capacity of the complaint review system and enforcement of decisions.
- c) Fairness of the complaints system.
- d) Public access to decisions.
- e) Independence of the administrative review body.

#### 11. Accessibility to information.

- a) Publication and distribution of information.

#### 12. Ethics and anticorruption policy and measures.

- a) Legal provisions on corruption, fraud, conflict of interest, and unethical behaviour.
- b) Definition in legal system of responsibilities, accountabilities, and penalties for fraudulent or corrupt practices.
- c) Enforcement of rulings and penalties.
- d) Measures exist to prevent and detect fraud and corruption in public procurement.
- e) Stakeholders support the creation of a procurement market known for its integrity and ethical behaviors.
- f) Mechanism for reporting fraudulent, corrupt, or unethical behavior.
- g) Codes of Conduct/Codes of Ethics for participant and provision for disclosure for those in decision making positions.

#### s) Ethics and anticorruption measures for SPP.
### 2. Assessment criteria for the newly established sustainability indicators

<table>
<thead>
<tr>
<th>Assessment Criteria Sub-indicator 1 (s): Sustainability</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The legal framework meets all the following conditions:</td>
<td>3</td>
</tr>
<tr>
<td>(a) There are clear provisions on the inclusion of sustainability criteria (economic, environmental, social) throughout the procurement process.</td>
<td></td>
</tr>
<tr>
<td>(b) There are provisions on framework contracts based on competition.</td>
<td></td>
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<tr>
<td>(c) There are provisions on the use of e-procurement.</td>
<td></td>
</tr>
<tr>
<td>(d) There are provisions on the preparation of the procurement process to avoid unnecessary purchases and to facilitate sustainable product innovation.</td>
<td></td>
</tr>
<tr>
<td>The legal framework meets the conditions of (a) and (b) plus one of the remaining conditions.</td>
<td>2</td>
</tr>
<tr>
<td>The legal framework meets the conditions of (a) and (b)</td>
<td>1</td>
</tr>
<tr>
<td>The legal framework fails to substantially comply with any three of the conditions (a) through (d).</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assessment Criteria Sub-indicator 2 (s): Provisions for sustainable public procurement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The legal framework meets all the following requirements:</td>
<td>3</td>
</tr>
<tr>
<td>(a) Procurement regulations detail the provisions of the procurement law related to SPP.</td>
<td></td>
</tr>
<tr>
<td>(b) The model invitation and tender documents take account of sustainability considerations.</td>
<td></td>
</tr>
<tr>
<td>(c) The User’s Guide or Manual for procuring entities comprehensively covers sustainability issues.</td>
<td></td>
</tr>
<tr>
<td>(d) General Conditions of Contracts include clauses on social and environmental performance.</td>
<td></td>
</tr>
<tr>
<td>The legal framework meets the conditions of (a) and (b) plus one of the remaining conditions.</td>
<td>2</td>
</tr>
<tr>
<td>The legal framework meets the conditions of (a) and (b)</td>
<td>1</td>
</tr>
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<td>The legal framework fails to substantially comply with any three of the conditions (a) through (d).</td>
<td>0</td>
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<thead>
<tr>
<th>Assessment Criteria Sub-indicator 3 (s): Integration of SPP into the public governance system</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The legal framework meets all the following requirements:</td>
<td>3</td>
</tr>
<tr>
<td>(a) Procurement Planning takes sustainability criteria into account.</td>
<td></td>
</tr>
<tr>
<td>(b) The budget law and financial procedures promote whole life costing approaches.</td>
<td></td>
</tr>
<tr>
<td>(c) The budget law ensures flexibility between the investment budget and the recurrent budget.</td>
<td></td>
</tr>
<tr>
<td>(d) Budget law allows for sustainability risk assessments.</td>
<td></td>
</tr>
<tr>
<td>The system meets the conditions of (a) and (b) plus one of the remaining conditions.</td>
<td>2</td>
</tr>
<tr>
<td>The system meets the conditions of (a) and (b)</td>
<td>1</td>
</tr>
<tr>
<td>The system fails to substantially comply with any three of the conditions (a) through (d).</td>
<td>0</td>
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</tbody>
</table>
Assessment Criteria Sub-indicator 4 (s): Institutional arrangements for implementation of SPP
The institutional arrangements meet all the following requirements:
(a) Responsibilities for the country wide implementation of SPP are clearly assigned to a normative or regulatory body or any other institution.
(b) Responsibilities for the implementation of SPP at the procuring entity level are clearly assigned.
(c) The country has certification institutions facilitating compliance checks and labeling.
(d) The institutions’ organization, funding, and staffing is sufficient and consistent with the responsibilities.

<table>
<thead>
<tr>
<th>Score</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>The conditions of (a) and (b) are met plus one of the remaining conditions.</td>
</tr>
<tr>
<td>2</td>
<td>The conditions of (a) and (b) are met.</td>
</tr>
<tr>
<td>1</td>
<td>The system fails to substantially comply with any three of the conditions (a) through (d).</td>
</tr>
</tbody>
</table>

Assessment Criteria Sub-indicator 5 (s): Institutional development capacity for SPP
The country has systems in place to support and monitor the performance of SPP which meet all the following requirements:
(a) The country has a system for collecting data for national procurement statistics which allow for procurement spend analyses, risk assessments, and prioritization.
(b) The country has a system for defining core sustainable product criteria.
(c) The country has a system for determining future cost and externalities to allow for reliable whole life costing calculations based on net present value.
(d) The country has a sustainable strategy and training capacities to develop the capacities of government and private sector participants to effectively implement SPP.

<table>
<thead>
<tr>
<th>Score</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>The system meets the conditions of (a) and (b) plus one of the remaining conditions.</td>
</tr>
<tr>
<td>2</td>
<td>The system meets the conditions of (a) and (b)</td>
</tr>
<tr>
<td>1</td>
<td>The system fails to substantially comply with any three of the conditions (a) through (d).</td>
</tr>
</tbody>
</table>

Assessment Criteria Sub-indicator 6 (s) : SPP operations and practices
SPP operations and practices meet all the following requirements:
(a) The level of procurement competence among government officials is consistent with their SPP responsibilities.
(b) The SPP training and information programs for government officials and the private sector are consistent with demand.
(c) There are established norms related to SPP practices and contract management. The concept of Whole life costing is consistently applied.
(d) There is an exchange of best practices and networking to further improve SPP operations.

<table>
<thead>
<tr>
<th>Score</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>The conditions of (a) and (b) are met plus one of the remaining conditions.</td>
</tr>
<tr>
<td>2</td>
<td>The conditions of (a) and (b) are met.</td>
</tr>
<tr>
<td>1</td>
<td>The system fails to substantially comply with any three of the conditions (a) through (d).</td>
</tr>
</tbody>
</table>
### Assessment Criteria Sub-indicator 7 (s): Functionality of the SPP market

The SPP market meets the following requirements:

- **(a)** There are effective mechanisms for partnerships between the public and private sector to advance SPP, i.e. open dialogue to determine and further advance the market readiness for SPP.
- **(b)** The government has programs to help build capacity among private companies and facilitate the certification process of sustainable products and sustainable production processes.
- **(c)** The government has programs to ensure supplier diversity and the inclusion of SMEs in the sustainable public procurement market.
- **(d)** There are no major systemic constraints inhibiting the private sector’s capacity to access the sustainable public procurement market. The government conducts Market Readiness Analyses.

| The conditions of (a) and (b) are met plus one of the remaining conditions. | 2 |
| The conditions of (a) and (b) are met. | 1 |
| The system fails to substantially comply with any three of the conditions (a) through (d). | 0 |

### Assessment Criteria Sub-indicator 8 (s): SPP contract administration.

Contract administration meets the following requirements:

- **(a)** Contracts usually include key performance indicators, measurable targets and acceptable performance levels.
- **(b)** Procedures are clearly defined to ensure the enforcement of SPP contract performance clauses.
- **(c)** There are financial incentives for exceeding baseline targets.
- **(d)** There are sanctions for poor performance and action taken to ensure continuous improvement.

| The conditions of (a) and (b) are met plus one of the remaining conditions. | 2 |
| The conditions of (a) and (b) are met. | 1 |
| The system fails to substantially comply with any three of the conditions (a) through (d). | 0 |

### Assessment Criteria Sub-indicator 9 (s): SPP control and reporting system

There are control and reporting systems in place that meet the following requirements:

- **(a)** Sustainable public procurement performance is measured at the procuring entity level.
- **(b)** The country’s internal and external control framework covers sustainable public procurement.
- **(c)** Systematic independent evaluations are regularly conducted to assess the economic, environmental, and social impacts of SPP.
- **(d)** A reporting system is established and implemented to inform stakeholders and the public about the outcomes of SPP.

| The conditions of (a) and (b) are met plus one of the remaining conditions. | 2 |
| The conditions of (a) and (b) are met. | 1 |
| The system fails to substantially comply with any three of the conditions (a) through (d). | 0 |
### Assessment Criteria Sub-indicator 10: Sustainability considerations in appeals system

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The complaint review system has the capacity to handle complaints related to sustainability criteria.</td>
<td>3</td>
</tr>
<tr>
<td>(b) The complaint review system has the means to access external knowledge on environmental or social issues under discussion if needed.</td>
<td></td>
</tr>
<tr>
<td>(c) The complaints review system reports back on systemic issues related to SPP, e.g. negative impacts on small and medium enterprises.</td>
<td></td>
</tr>
<tr>
<td>(d) Decisions of the complaint review system are published in a timely manner.</td>
<td></td>
</tr>
</tbody>
</table>

- **The system meets the conditions of (a) and (b) plus one of the remaining conditions.**   | **2** |
- **The system meets the conditions of (a) and (b)**                                        | **1** |
- **The system fails to substantially comply with any three of the conditions (a) through (d).** | **0** |

### Assessment Criteria Sub-indicator 11: Access to information on SPP

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) There is a centralized place, preferably a dedicated website, providing information on SPP.</td>
<td>3</td>
</tr>
<tr>
<td>(b) Good Practices guides, practical tools, and impact studies on SPP are prepared and distributed.</td>
<td></td>
</tr>
<tr>
<td>(c) Awareness raising campaigns are regularly conducted by the government addressing key stakeholders and the general public.</td>
<td></td>
</tr>
<tr>
<td>(d) A help desk provides ad-hoc support on SPP related matters to public authorities and private enterprises.</td>
<td></td>
</tr>
</tbody>
</table>

- **The conditions of (a) and (b) are met plus one of the remaining conditions.** | **2** |
- **The conditions of (a) and (b) are met.**                                         | **1** |
- **The system fails to substantially comply with any three of the conditions (a) through (d).** | **0** |

### Assessment Criteria Sub-indicator 12: Ethics and anticorruption measures for SPP

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The country has endorsed and applies the ILO Core Labor Conventions.</td>
<td>3</td>
</tr>
<tr>
<td>(b) Environmental legislation is in place and it is enforced.</td>
<td></td>
</tr>
<tr>
<td>(c) There are special measures exist to prevent and detect fraud and corruption in SPP.</td>
<td></td>
</tr>
<tr>
<td>(d) Stakeholders (private sector, civil society, beneficiaries) support the creation of a SPP market known for its integrity and ethical behavior.</td>
<td></td>
</tr>
</tbody>
</table>

- **The conditions of (a) and (b) are met plus one of the remaining conditions.** | **2** |
- **The conditions of (a) and (b) are met.**                                         | **1** |
- **The system fails to substantially comply with any three of the conditions (a) through (d).** | **0** |
Annex 11:
List of references


European Commission 2007a, Sustainable Public Procurement in EU Member States: Overview of Government Initiatives and Selected Cases, Vienna.


