



Background Paper on Sustainable Procurement and Environmental Management Programmes for the UN System¹

The objective of this paper is to provoke discussions within the EMG and to present some preliminary proposals for an EMG initiative on sustainable procurement and environmental management programmes across the UN system.

1. Meaning of Sustainable Procurement (SP)

Procurement is the process in which public or private organisations buy supplies or services to fulfil various functions (shelter, transport, need for infrastructures, etc.). Through procurement the organisation might also facilitate the achievement of its own policy goals such as sustainable development.

Procurement is called sustainable when the organisation uses its own buying power to give a signal to the market in favour of sustainability and bases its choice of goods and services on:

1. Economic considerations: best value for money, price, quality, availability, functionality, etc.;
2. Environmental aspects (“green procurement”): the effects on the environment that the product and/or service has over its whole lifecycle, from cradle to grave;
3. Social aspects: effects of purchasing decisions on issues such as poverty eradication, international equity in the distribution of resources, labour conditions, and human rights.

2. Mandate and legal basis for work on SP in the UN system

- The need to work on the inclusion of sustainable development considerations in procurement practices is recognized in Agenda 21 (chapter 4.23) and reiterated in the UN Guidelines for Consumer Protection (as expanded in 1999). While Agenda 21 focuses on the purchasing policies of governments, paragraph 54 of the Guidelines states that “Governments and international agencies should take the lead in introducing sustainable practices in their own operations, in particular through their procurement policies”.

¹ This paper was prepared for the Environmental Management Group by UNEP/DTIE, with Annexes 1 and 2 provided by IAPSO and the World Bank, respectively.

- The Plan of Implementation of WSSD (chapter III.19) approved in September 2002 insists on the need to take sustainable development considerations into account in public procurement and to “promote public procurement policies that encourage development and diffusion of environmentally sound goods and services”. This applies to “relevant authorities at all levels”.
- Furthermore the International Expert Meeting in Marrakech on a 10 year-framework of Programmes for Sustainable Consumption and Production in May 2003 recommended that “UNEP and UNDESA ...explore the possibilities of establishing a UN code on sustainable procurement and environmental management. Furthermore there was wide agreement that the UN itself should adopt sustainable procurement and environmental management programmes for its offices and operations.” (paragraph 155 of the summary by the Co-Chairs).
- In 2001 the Board of Auditors to the General Assembly suggested that UNEP take the initiative in bringing to the attention of the UN system Chief Executives Board (CEB) the possibility of developing a framework to implement the environmental policies in the UN system. This recommendation requests UNEP to develop a policy framework for managing its own operations in an environmentally friendly manner (recycling, energy consumption, environmental aspects in procurement etc.) and share it with the other organisations in the UN system.

3. Sustainable procurement (SP) in the context of sustainable development

Sustainable development is not only about environment, it also requires the respect of the fundamental rights of people and labour rights and it has to deliver progress in the economy.

The ways that the UN, multilateral development banks and development agencies can influence the market are various. The UN moves directly or indirectly a significant part of the market especially in developing countries. The estimated value of business opportunities linked to UN direct and indirect spending is **US\$ 30 billion/year**. (Source IAPSO)

UN, multilateral development banks and development agencies have a key role to promote the inclusion of sustainable development considerations into their own and their members purchasing practices. They can in particular:

- Support awareness raising about the opportunity offered by sustainable procurement as a tool for sustainable development.
- Integrate information and training on sustainable procurement in their own project planning and support for implementing agencies, national and local authorities

- Help in setting the framework for other stakeholders (development agencies, national governments etc.)

Most of all, the UN family should “practice what it preaches” and use its market power to give a clear signal of what its priorities are. There is furthermore increasing scrutiny by non-governmental organisations and the media in terms of consistency between its own practices and the sustainable development it supports.

4. The sustainable development potential of sustainable procurement practices

A clear link between environmental improvement or social improvement and the application of sustainable development principles to procurement policies to complement the traditional cost/effectiveness criteria has not been proven with mathematical surety. Nonetheless, some organisations have started measuring the impact of these policies and can indicate positive results. ICLEI and the ILO have gained an internationally recognised expertise in linking procurement with environmental or social criteria. They recommend that in order to obtain progress for sustainable development through a shift in procurement policies it is necessary:

1. to adopt a risk based approach (work on the highest environmental or social impact areas)
2. to adopt clear and transparent criteria
3. to limit the action to a few focussed fields of activity
4. to give fundamental importance to the training and motivation of procurement officers.

5. On-going activities

In general, from the preliminary UNEP surveys one can conclude that the *scope* of the work of international organisations (including multilateral banks) can broadly be characterised as follows:

- the various organisations within the UN system have most of all experience in the *socially responsible* element of purchasing (notably giving preference to supplies from developing and under-represented donor countries, in order to create an expanded and more equitable geographical distribution of procurement). So far only some efforts have been undertaken to promote the integration of environmental considerations in UN system purchasing. These efforts are not co-ordinated and are often the result of officials’ personal commitment rather than of a systematic policy of the respective organisation.

- Current initiatives of IAPSO/UNDP and the World Bank are summarized in Annexes 1 and 2.

Procurement structure of the UN System (source IAPSO)

The UN system operates on budgets funded by its members. Each agency has a separate budget approved by its respective governing body. Each UN organisation has adopted common guidelines (General Business Guide, 2000) for procurement, which were developed by the IAPWG (Inter Agency Procurement Working Group). In the IAPWG chiefs of procurement from across a range of UN organisations get together for a week once a year on a common agenda. They have done so for the last thirty years. The group typically discusses harmonisation of processes and procedures, the building of buying leverage across the UN system, legal issues, the development and maintenance of a common supplier database, transparency improvements, etc. Since the mid eighties these annual IAPWG meetings have been combined with business contact days organised by the host country.

In practice, however, procedures vary widely among agencies, depending on operational requirements. For their procurement, UN system organisations rely on the so-called United Nations Common Supply Database (UNCSD)², which lists all suppliers interested in working with the UN. Suppliers are requested to provide information about their activities, including whether or not they have an environmental policy, as well as to declare that the quality of their products and services are in line with national and international quality standards. The so-called *Common Guidelines for Procurement by Organisations in the UN System*, however, do not yet include clear and specific environmental or ethical criteria in the selection of suppliers of goods and services or of projects and loans, nor do they have an effective monitoring mechanism. The major emphasis on achieving best value for money through a transparent procurement process. (Source IAPSO)

Further, from various informal sources, UNEP gathers that there is a lack of awareness among UN procurement officials on the need to include SP in operations or headquarters management. Tackling the IAPWG is therefore essential for the inclusion of sustainable development considerations in the way the UN procures goods and services and carries out its operations.

6. The challenges for the UN

As for many other policies, including sustainable development considerations in procurement will face one major challenge from the out-set: the lack of a co-ordinated policy on procurement as outlined in the chapter above. Co-ordination and a strong and high-level political signal would be therefore the first challenge to meet. Secondly the active

² UNCSD is maintained by UNDP/IAPSO

involvement of the two major procurement agencies: UNOPS and IAPSO and the IAPWG would be needed.

In identifying options for action it is important to keep in mind that the final goal is sustainable development. It is therefore essential to focus on procurement changes, which would have a real impact on sustainable development (such as SP in construction and big projects). Some "visibility" oriented opportunities (like green meetings, fair trade coffee, etc.) are also important but more for awareness raising of staff and the UN community in general than for a strong impact on environment and social issues.

A major challenge would therefore be to conduct a comprehensive study of the different operations UN agencies carry out collectively and as single entities and identify within those operations the one or two elements of major sustainable development impact. The inclusion of sustainable procurement should start from there.

More in detail, from the work and investigations so far carried out, UNEP sees some major challenges for procurement in the UN:

- 1) The lack of awareness of the procurement services of the need to include sustainable development in the criteria for procurement of goods and services. So far, the main criteria have been purely economical. Some agencies are now taking initiatives individually, but this depends more on the goodwill of procurement officers or of the management than on a fully developed policy choice.
- 2) There is not yet a common UN policy and central information hub on the issue for agencies. An assessment of the potential of UN procurement policy in supporting a more sustainable economy in projects especially in developing countries has to be carried out.
- 3) In the vast majority of cases the work is done either on greening of procurement or on social aspects (like no child labour etc.) The approach is not integrated.
- 4) There is a lack of understanding of what SP choices could be (what is a sustainable product? How to insert requirements for sustainable products and services in a UN bid?). Methods might vary and need to be adapted to specific cases and to local possibilities and realities. Nonetheless information on methods and options in SP are needed.
- 5) There is not a risk or impact based approach: most initiatives consist of fair trade coffee or recycled paper purchasing. The biggest purchasing spending (infrastructure, transport, IT, vehicles) is however not tackled in an integrated and consistent fashion.

- 6) Lack of awareness in UN supplying businesses about sustainable consumption and production and of business opportunities through a wider offer of sustainable products and services to the UN.

7. Proposals for EMG work

We see that the EMG could recommend the following:

1. A world-wide mapping of UN operations and procurement methods to be carried out with UN agencies (UNEP; IAPSO; UNOPS) and with the help of the IAPWG (Inter-Agency Procurement Working Group)
2. Work on a concept of SP with regard to:
 - UN field projects and operations especially in developing countries where it is most urgent to include sustainability in development work activities and tackle local issues (poverty reduction through job creation, energy and cost savings etc.)
 - UN headquarters and offices operations (office management, travel, conferences, etc)
 - UN policy advice to governments in all areas
3. Identify opportunities for SP within the UN system at various levels and in the regions. For each kind of operations one or two risk areas could be identified and proposals made for sustainable procurement. For instance for the offices the risks are likely to be travel and energy use, for development assistance perhaps the sustainability of the materials and of the markets that the UN work influences and stimulates; for UN conferencing and meetings the whole of catering, travel and materials use, etc.
4. A strategy to diffuse information and experiences to the wider UN community, inclusive of sustainable development and procurement training in the professional training of staff.

ANNEX 1

Current Initiatives of IAPSO/UNDP

IAPSO's unique mandate and position within the UN system has enabled IAPSO to begin to address SP by identifying the three basic components required for incorporation of (SP):

1. Procurement Policy
2. Tools
3. Training and Awareness.

IAPSO has engaged in a number of initiatives that address the latter two components.

These comprise of the following:

- The first initiative to tackle Green Procurement was the publication of 'The Green Office Initiative' in 1995. This booklet provided valuable advice to procurers on how to make environmentally responsible purchasing decisions when procuring office equipment.
- In partnership with UNEP's Division of Technology, Industry and Economics (UNEP DTIE), IAPSO developed the 'UNEP/IAPSO Sustainable Procurement Database'. The objective of this web-enabled database is to provide users with an international directory to over 200 websites dealing with SP and in particular on product selection criteria. The database covers international, regional and local sites. For instance the section dealing with eco-labelling has 106 entries. The database is available at:
http://www.uneptie.org/pc/sustain/procurement/green_find.asp.
- In another partnership with UNEP DTIE and the World Bank, IAPSO is currently developing Sustainable Procurement Training Modules. This training course is envisaged to act as an awareness raising and training tool and is to be offered as part of IAPSO's procurement training curriculum as well as to be used for internal World Training requirements. The draft modules have been completed and work is currently on-going to develop the associated course reference material.
- IAPSO is an active member of the Inter-Agency Group on Environmentally and Socially Responsible Procurement founded in 2000. This group consists of a number of UN agencies, International Finance Institutions and NGO's, its primary focus is:
 - to share organization's experiences on SP and to receive feedback on strategies under development

- Encourage ownership of SP by member's procurement departments
- Identify and build partnerships in both developed and developing countries.

Further information on this group can be found at www.sustainable procurement.net

- In co-operation with the OECD, IAPSO is co-publishing a publication titled 'The Environmental Performance of Public Procurement: Issues of Policy Coherence' . This publication will shortly be available from the IAPSO website.
- In addition to the above initiatives IAPSO strives to incorporate SP related issues into its other on-going procurement related activities. For instance, they are currently in the process of redeveloping the United Nations Common Supplier Database (UNCSD), the objective of the database is to act as the global portal of entry for suppliers to the UN system and conversely to provide UN and WB procurement officers with a web-enabled supplier sourcing tool. Within the scope of this redevelopment IAPSO envisages incorporating environmental and social performance criteria in the supplier registration form. Thus this database would fulfill an additional role as a repository for company environmental and social performance data.
- IAPSO is also currently developing a supplier training course on 'How to do business with the UN', again here it is envisaged to stress the benefits of company environmental and social management systems, i.e. advocate the merits of corporate social responsibility (CSR).

ANNEX 2

OVERVIEW OF THE WORLD BANK'S ENVIRONMENTAL AND SOCIALLY RESPONSIBLE PROCUREMENT (ESRP): CORPORATE AND OPERATIONS

In 2001, the World Bank launched an Environmentally and Socially Responsible Procurement (ESRP) Initiative. The initiative was designed to reflect issues of environmental and social concern in both the procurement processes of the Bank's internal corporate procurement (headquarters and country facilities) and procurement under Bank-financed projects (projects in client countries). The following two sections provide a brief overview of some of the World Bank's corporate and operations ESRP efforts.

I. Corporate ESRP: Headquarters and Country Facilities

One of the greatest challenges in improving the environmental impacts of our facilities has been understanding and controlling the environmental and social impacts of the procurement of goods and services. Our first step was to institute an Environmentally Responsible Procurement (ERP) Policy that calls for the expanded use of environmentally preferable products. The ERP policy will soon be available on the web.

The World Bank's Corporate Procurement Unit works with business managers to ensure that all procurement is environmentally and cost effective. In addition to having a formal policy, procurement contracts are modified to include environmental specifications, when possible. Such modifications have resulted in an increased use of environmentally produced paper in procurement documentation, ensuring carpet and ceiling tile recycling in renovation projects, including pallet recycling into loading dock contracts, and requesting minimal packaging and take-back programs for electronic equipment.

To promote awareness of the importance of factoring environmental and social concerns into purchasing, we:

- instituted training for procurement staff on environmentally preferable products
- created a Supplier Diversity Program to encourage business participation of minority-, women-, and disabled-owned business enterprises (For more information, visit <http://secure.worldbank.org/vendorkiosk/supplierDiversity.html>)
- require all submitted bids to be printed on both sides and on recycled paper
- ask vendors to complete a questionnaire to better understand their environmental practices
- are working with the EPA to gain access to their database of environmentally preferable products.

A brief description of the environmental and social issue and the related corporate procurement activity initiated at our headquarters over the last few years is available in Table 1.

Table 1: Summary of Some of the WB’s Corporate ESRP Efforts

Environmental and Social Issue	Area of Focus	Achievements to Date	Looking Forward
<i>Waste Reduction</i>	Toner Cartridges	Instituted mandatory procurement of remanufactured cartridges	Continue to enforce mandatory procurement guidelines
<i>Air Quality</i>	Paint	Using low VOC paints, where applicable	Continue to require low VOC paint
<i>Biodiversity and Small Holder Protection</i>	Coffee	37.4% of total coffee sold in cafeterias/coffee shops is fair-trade, and shade-grown. An increase from 25% in FY03	Beginning FY05, all catering and non-specialty cafeteria coffee will be fair trade. This represents 72.4% of the total sold.
<i>Biodiversity Protection</i>	Sustainable Seafood	The sale of <i>at-risk</i> sea consumables (e.g. shark, marlin, swordfish, orange roughy) has been discontinued in all cafeterias and dining rooms.	Building awareness on sustainable seafood issues and keeping up to date on the latest debates
<i>Waste Reduction and Water Conservation</i>	Restroom supplies	100% post-consumer content toilet paper and hand towels used in all buildings	Introduce products across the organization
		Foam soap installed in I, J Building and 4 th /5 th Floor of MC Building to reduce volume of soap and water used	
<i>Social Protection: Affirmative Action</i>	Supplier Diversity Program	Direct contracting and subcontracting with Minority, Women, Disabled-owned Business Enterprises (MWDBE’s), totaled \$4,035,000 -- an increase from last year. Holding a Supplier Diversity Fair to create awareness within the bank and to invite MWDBE suppliers for promotion opportunities.	Build directory of MWDBE’s to support bidding opportunities. Increase direct and indirect spend in FY 05.

Organic, Shade-Grown, Fair-Trade Coffee

Studies by the World Bank's Agriculture and Rural Development Department indicate that coffee is one of the world's most important cash crops and is vital to the livelihood of more than 25 million small coffee farmers globally. Coffee produced in an environmentally and socially sustainable manner – organic, shade grown, and fair traded – provides a wide range of benefits for both local growers and the environment.

Approximately 188 lbs of coffee are served daily at the World Bank. In an effort to support the sustainable coffee market, 100% of the coffee served at meetings, conferences, and dining rooms is triple certified. Sustainable coffee is also sold in World Bank cafeterias and coffee bars. In FY03, approximately 25% of all coffee purchased were fair trade and shade grown. This quantity increased to 38% in FY04. As of July 1, 2004, 100% of the non-specialty coffee served in World Bank cafeterias is fair-traded.

Information on the Bank's corporate footprint and office greening initiatives are available on the Internet at www.worldbank.org/ess.

II. Operations ESRP: Integrating Environmental and Social Considerations into our Procurement Practices

The foundation of our Operations ESRP initiative is bank-financed projects in client countries. In the effort to build a successful and effective initiative, we take into account both of the following two internationally recognized procurement approaches within a context-specific perspective:

- Environmentally Preferred Procurement (EPP)
- Socially Responsible Procurement (SRP)

This past year's efforts has focused on increasing staff and client capacity to address several ESRP issues through guidance notes, procurement tools, discussion papers and training. A brief description of some of our operational activities are summarized in the following bullet points and listed in Table 2.

- Environmental Considerations for Bidding Documents: Guidance on how to include environmental aspects into bidding documents have been created for staff and clients. This guidance outlines the bank's policy framework that allows for the inclusion of an environmental dimension to procurement. It also provides specific situations that are relevant for environmental considerations and provides examples of how to include an environmental dimension for bid evaluation.
- Pest Management: One of our priorities for improved environmental impact is to increase awareness regarding state-of-the-art knowledge on pest management technology and the handling of certain chemicals. Therefore, specialized tender documents and a guidance note have been created for staff and clients highlighting International standards of best practice and enabling environmentally preferred procurement.
- Harmonization of Procurement Clauses: As part of the effort to harmonize the bidding documents among the multilateral development banks, the World Bank

proposed that several new clauses be incorporated in the master document to address sustainable procurement. These new clauses, including the topics of child labor, forced labor, and HIV/AIDS have been integrated in the harmonized document which is currently under consideration by the relevant MDBs and FIDIC.

- Infrastructure: Transport and Construction (Accessibility and International Labor Standards): In 2003, the transport sector created a working group to better integrate accessibility best practices within project design. Similarly, we are focusing on two areas of construction: education and medical facilities. The integration of inclusive design contributes to our progress toward two of the Millennium Development Goals: achieving universal primary education and eradicating extreme poverty.
- Green Building/Construction Best Practices. A best practices report, relevant to developing countries, is planned for co-development with UNEP-DTIE. The report will be shared at the Sustainable Procurement MDB Interagency Working Group during the 2005 annual meeting.
- Training pilot: During 2004, a pilot training was launched to develop country-specific training sessions on best practices in sustainable procurement. The pilot took place in Ghana with training modules co-developed with UNEP-DTIE, UNDP-IAPSO and ICLEI. The World Bank and several UN agencies will use the modules, once finalized, for training.
- Peer Harmonization: In order to share our experience – and build on that of others – we have collaborated with our colleagues to form the "Interagency Sustainable Procurement Working Group". This working group includes other multilateral development banks, several United Nations Agencies, members of the private sector and a number of civil society organizations.

Table 2: Summary of Some WB Operations ESRP Efforts

Environmental and Social Issue	Area of Focus	Achievements to Date	Looking Forward
<ul style="list-style-type: none"> ➤ Water Quality ➤ Biodiversity ➤ Waste Reduction ➤ Air Quality 	Environmental considerations in technical specifications and bid evaluation	Draft procurement guidance note	Disseminate procurement guidance note to staff and clients
<ul style="list-style-type: none"> ➤ Water Quality ➤ Biodiversity ➤ Health 	Pest Management	Specialized tender documents updated to 2004 standards	Distribute specialized tender documents to staff and clients
<ul style="list-style-type: none"> ➤ Waste Reduction ➤ Energy Efficiency ➤ Water Conservation ➤ Air Quality ➤ Biodiversity 	Key Product Categories: risks and missed opportunities for EPP.	<ul style="list-style-type: none"> • General bank wide statistical survey of procurement categories • In-country portfolio review: <ul style="list-style-type: none"> • Russia 	In-country portfolio analysis for at least 2 more countries
Social Protection <ul style="list-style-type: none"> ➤ Labor standards 	Harmonized Contract Clauses among the MDBs for socially responsible procurement	Proposed new clauses on in 2003: <ul style="list-style-type: none"> • Child labor • Forced labor • HIV/AIDS 	New clauses accepted as part of Master Standard Bidding Document shared among MDBs
Social Protection <ul style="list-style-type: none"> ➤ Accessibility ➤ Labor standards 	Infrastructure and Inclusive Design <ul style="list-style-type: none"> • Transport • Construction 	Working groups established for: <ul style="list-style-type: none"> • Transport and Accessibility • Regional Accessibility Advisor 	Demonstration projects in-country
<ul style="list-style-type: none"> ➤ Waste Reduction ➤ Energy Efficiency ➤ Water Conservation ➤ Air Quality ➤ Biodiversity Conservation 	Green Building	Partnership to co-develop with UNEP-DTIE	Guidance note on best practices for green building for staff and clients
General ESRP	Training Modules: ESRP basics	<ul style="list-style-type: none"> • Co-developed training material with UNEP-DTIE and IAPSO • Pilot session in Ghana 	<ul style="list-style-type: none"> • Finalization of training modules • Mainstreaming of training
General ESRP	Peer Harmonization: Sharing ESRP experiences among MDB, UN agencies and civil society.	Annual meetings <ul style="list-style-type: none"> • 2001 • 2002 • 2003 	2004 Annual Meeting (upcoming for Fall. ADB may host)