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ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

SUSTAINABLE PROCUREMENT IN THE UN SYSTEM

Report prepared for the Environment Management Group
6 March 2006

EXECUTIVE SUMMARY

The objective of this report is to propose some initial steps for a UN programme of work on the integration of sustainable development across UN agencies operations in headquarters and on the field.

To do so it describes - with no pretension to be complete and fully accurate- the current status of procurement in the UN in relation to sustainable development. It outlines what various agencies are doing, presents a selection of current initiatives and recommendations from the procurement officers of major UN agencies on what could be done to integrate Sustainable Development in their work. Finally the report provides some initial suggestions on the role EMG could play to foster a UN-wide initiative toward sustainable procurement.

This report will not attempt to convince the EMG of the meaning and interest for the UN to adopt a Sustainable Procurement Policy. The report presented to the EMG on 1/9/2004 in annex 7 already filled this task and resulted in a request from the EMG to investigate what is going on and make suggestions on how to proceed.

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Reports' Mandate

This document has been prepared in response to a request from the Environmental Management Group (EMG) to prepare an inventory of existing sustainable procurement policies and practices within the UN.

Sustainable Procurement (SP) was discussed at the 8th meeting of the Environmental Management Group (EMG) on 1st September 2004 in Nairobi, Kenya. At the conclusion of the meeting, the Chair proposed to “establish an Issue Management Group, which should turn the discussion on this issue into a policy development exercise. Work on developing supplier codes of conduct, preparation of an inventory of existing sustainable procurement policies and practices, and training were identified as the issues to be addressed by the IMG. The Chair further suggested that the World Bank (WB) and UNEP DTIE in close consultation with IAPSO be appointed as the task managers of the IMG. “ (Report of the 8th session of the EMG, 23/9/04).

In the investigations preceding the organisation of the work group and work procedures UNEP DTIE [leading the IMG] realised the UN procurement services were already developing a UN Suppliers code of conduct. It also realised that the in the UN system procurement is somehow kept separated from facilities management which relates to the UN buildings management and also to what paper, office equipment, energy, electronic equipment etc. is purchased.

The United Nations interagency group of Facilities Managers has already initiated co-ordination on how to manage UN buildings in a more environmentally responsible manner. This work is briefly reported in Annex 2.

The IMG therefore decided that the focus of the present report would be restricted to UN procurement for projects and UN field actions.

Background

Overall procurement is the process by which public or private organisations buy goods and/or services to fulfil various needs of an organisation, e.g. building shelter and infrastructures, manage facilities, transportation, delivery of services such as health, food, education, etc. The procurement process is associated with the obligations of timeliness; effectiveness; efficiency; competition; transparency; equitable distribution; and development. At the macro-level, public procurement creates a dynamic; a chain reaction which can benefit the economic life of a country and support the development of the private sector. Thus historically a direct or indirect link has always been made between the performance of the procurement function and the collective fulfilment of social and economic objectives.

In the past 10-15 years the notion of procurement has been explicitly associated with the fulfilment of environmental policies in several governments [mainly in Europe, North America and Japan but more and more in countries such as Brazil, Philippines and others in the developing world] [ref. Annex7].

Political discussions at Un level also reflected this development and a request for the UN to work on procurement and sustainable development can be found in a series of documents.¹ Several of them are summarised here:

- Agenda 21 recognised the need to work on the inclusion of sustainable development considerations (chapter 4.23). This was subsequently reiterated in the expanded 1999 UN Guidelines for Consumer Protection. 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”.
- The Johannesburg Plan of Implementation of World Summit on Sustainable Development in September 2002 [WSSD] (chapter III.19) stresses 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”.
- The International Expert Meeting on a 10 year-framework of Programmes for Sustainable Consumption and Production, held in Marrakech, June 2003 recommended that “UNEP and UNDESA...explore the possibilities of establishing a UN code on sustainable procurement and environmental management”. There was also wide agreement that the UN itself “should adopt sustainable procurement and environmental management programmes for its offices and operations.”² (paragraph 155 of the summary by the Co-Chairs).
- UNEP’s 23rd Governing Council decision Gc.23ICw/L.2/Add2 on “Environment and Equity decisions in the procurement practices of UNEP” requests governments to share their Sustainable procurement experiences with UNEP and UNEP to investigate and report on its own procurement practices by 2007.

As a result of this growing movement and of the international debates about sustainable development UNEP and several other actors in the field developed the concept of Sustainable Procurement [ref. Annex 7].

¹ For a list of relevant documents, see Annex 1.

² For more information on environmental management systems (EMS), see Annex 2.

What is “sustainable” procurement?

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:

- economic considerations: best value for money, price, quality, availability, functionality;
- environmental aspects, i.e. green procurement: the impacts on the environment that the product and/or service has over its whole life-cycle, from cradle to grave; and
- social aspects: effects of purchasing decisions on issues such as poverty eradication, international equity in the distribution of resources, labour conditions, human rights.

“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 proved with mathematical security. Nonetheless, some organisations have started measuring the impact of these policies and can indicate positive results. ICLEI and by the ILO (see boxes on annex I and II.) have proved results of respectively the environmental and social gains of a targeted procurement policy.” [ref. Annex 7]

Why should the UN embrace sustainable procurement?

Scrutiny by non-governmental organisations and the media in terms of consistency between the UN’s own practices and what it claims sustainable development should entail is increasing. Through changing its own purchasing practices the UN can off-set criticism about not “walking the talk”.³ More importantly however, through changing how it procures, the UN is well placed to send a strong signal to business and countries as to what its priorities are.

The total procurement of UN agencies –goods and services – was calculated to be 6.441 million US\$ in 2004 (source: IAPSO). This is small in comparison to world standards where governments spend some thousand million dollars every year on public purchasing [EU aggregate is for instance 1500 million Euro for 2004 (source EU)]. Nonetheless for its visibility and for the guidance it has on governments and their choices, the UN does play a catalytic role⁴.

In order to be able to harness this catalytic role, there needs to be a clearer understanding as to what is currently being done within the various UN bodies. Question such as: has any agency incorporated sustainability criteria into its purchasing practices?; How has it been done?; Has it worked?; What have been the barriers?; must first be answered. The present report attempts to answer such questions.

³ At a Global Compact Advisory Council Meeting (July 2003) the Secretary-General was directly challenged by Mr. Oded Grjew, President of Instituto Ethos to ensure that the UN itself “walks the talk” with regards to translating the Global Compact principles into practice.

⁴ The estimated value of business opportunities linked to UN direct and indirect spending is US\$30 billion/year (source: IAPSO). This is small in comparison to world standards where governments spend some several thousand billion dollars every year on public purchasing.

Introduction

Report methodology

Given time and financial restrictions, telephone interviews with the procurement UN procurement departments of selected UN agencies were judged to be the best way to collect this information. The report is therefore a synthesis of these interviews and of the recommendations emerged from discussions UNEP has with procurement officials on what would be the best way to have sustainability included in their work.

The reader must keep in mind that procurement is a complex process that varies according to the good or service purchased, where it is to be used and by whom. The report therefore attempts to paint an overall picture that describes if and how procurement practices can be adapted to fit in-line with sustainable development criteria. This broad “brush strokes” approach may be frustrating to someone who is looking for a tailored document that outlines in detail the precise problems and associated solutions. However, it is authors’ hope that this report will stimulate discussion about how best to broach this issue of integration and what steps could be taken next.

Fifteen agencies were selected to be interviewed.⁵ Selection was based on two criteria: an agency’s level of procurement in monetary terms⁶ and/or its symbolic value, e.g. being a lead agency in the UN Global Compact. The agencies interviewed were: FAO; IAEA; IAPSO; ILO; OHCHR; UNDP; UNEP/UNON; UNFPA; UNHCR; UNICEF; UNIDO; UNOPS; UN/PS; and WFP.⁷ Interviewees were identified via discussions with Inter-Agency Procurement Services Organisation (IAPSO) and the Inter-Agency Procurement Working Group (IAPWG). In almost all cases, the interviewee was a chief of procurement or speaking on the chief’s behalf.⁸ Interviewees were contacted by email where an outline of the project, its mandate and objectives were presented. A copy of the interview questions was also included. Interview times were then established. Interviews were conducted via phone and lasted an average of forty-five minutes. All interviews were conducted using the same questionnaire to ensure consistency.

The questionnaire was designed to be qualitative in nature.⁹ The intent was to gather information on how agencies are applying the concept of sustainable development to procurement decisions rather than on the concept of sustainable procurement per se. Initial conversations with key people in procurement made it clear that the term ‘sustainable procurement’ narrowed people’s view on what they were doing. When

⁵ The terms “agency” or “agencies” are used here –and throughout the report– as a general term to describe the collection of organisations, agencies, programmes, offices, funds and services that make-up the UN.

⁶ For a list of the top fifteen agencies and their procurement volume, see Annex 2.

⁷ WHO was on the list of agencies to be interviewed. However an interview time could not be established.

⁸ For a list of interviewees, see Annex 3.

⁹ For a copy of the interview questionnaire, see Annex 4.

the conversation focused more on how the concepts of sustainable development were being applied relevant examples were more forthcoming. The conclusion was that although some of the activities associated with the procurement process could be classified as contributing to sustainable development, many procurement officers did not see their actions as such and did not offer them as examples. A decision was therefore made to de-emphasise the term ‘sustainable procurement’ in order to broaden the conversation and collect a wider range of information. The questionnaire was also aimed at drawing out examples where agencies had applied a particular policy to improve procurement that had had the secondary effect of meeting one or more sustainability criteria.

The results of the interviews : sustainable procurement from the procurers point of view

‘Sustainable development’ is a known term and was acknowledged by all interviewees to be a worthy goal to pursue. Overall, there was high receptivity to applying the concept to procurement operations. The question was: “how?”¹⁰

Basic procurement criteria

Procurement officers purchase goods and services for their organisation. Although criteria for selection vary according to the organisation and the item requisitioned, four basic principles underlie all procurement activities in the UN:

1. best value for money;
2. fairness, integrity and transparency;
3. effective international competition ; and
4. the interest of the United Nations.¹¹

Or restated in simpler terms: “good quality of products and services within the timeframe required to meet the specifications at a competitive price in order to further the programmatic mandates of the Organisation”.¹²

In addition to the criteria outlined above, organisations –especially specialised agencies– have supplemental criteria. For example, UNHCR and UNIDO allow for a 15% price addition for those goods and services that come from developing countries. UNIDO also ensures that all project documents contribute to ‘clean and sustainable development of the industry sector’.¹³ Other agencies such as the ILO ensure that certain criteria, such as adherence to ILO Conventions concerning labour,¹⁴ are embedded in each requisitioning or project document.

¹⁰ The information contained in this section (*Summary Narrative*) is a synthesis of the thoughts, advice, comments, and recommendations of the interviewees.

¹¹ UN Financial Regulations and Rules of the United Nations Regulation 5.12

¹² UN Procurement Manual (January 2004), p: 1.

¹³ UNIDO’s website: www.unido.org

¹⁴ Participating companies must satisfy five key labour points as outlined in the Fundamental Principle of Rights of Work: prohibition of forced and bonded labour, freedom of association, protection of the right to organise and collective bargaining, the right to equal remuneration and protection against discrimination, and respect for minimum age of employment.

For some agencies, the *right* procurement is paramount. For the FAO although effectiveness, efficiency, competitiveness, and transparency are part of the process, “quality” is of the utmost importance as inferior product, e.g. seeds, fertiliser etc., can have far-reaching ramifications. For similar reasons, UNFPA looks after the “best” products i.e. those that combine best value for money and the right fit for the destination; the latter being important because of changing field conditions. Most of the agencies surveyed have included clauses that state that they do not purchase from companies that employ child labour or that manufacture land mines.

Initiatives supporting sustainable development criteria

Despite the fact that only a few procurement offices/units explicitly use the concept of sustainable development as a way to shape procurement policy there are a number of initiatives in place that promote sustainability [ref also Annex 7]. Initiatives of this kind can be of different nature.

Streamlining the procurement process through Long-Term Agreements (LTAs) with a series of smaller, local suppliers to replenish warehouses on a regular basis is a policy choice that acts on the economic pillar of sustainability as it provides local businesses with the guarantee of an income¹⁵ to invest in improving product quality and post-purchasing services. A solution of this kind benefits both the supplier and the UN as it provides a locally-based source on which to draw.

The attention given by all agencies and agency’s annual reports to the supplies from developing and under-represented donor countries, in order to create an expanded and more equitable geographical distribution of procurement is an other sign of attention to the social and equity elements of sustainability.

Co-operation with governments to improve their distribution systems of UN goods and services has an effect of economy of scale and extends to the delivery of other commodities within a country. The requirement to meet certain occupational health, safety and welfares standards –as detailed in ILO documentation– provides an opportunity to address also environmental issues.

Other solutions relate to capacity building for environmental management of operations targeted at UN staff or operations’ managers as UNHCR does since 1997.

Box: 1 BUILDING CAPACITY

UNICEF worked with the Bengali government and a local pharmaceutical company to bring the level of drug manufacturing up to WHO-mandated levels. They also facilitated co-operative agreement between a Japanese company that produced a high-tech material used in mosquito netting and African companies to produce the same material locally

A Zambian blanket producer was meeting technical standards set by UNHCR but was unable to meet the production requirements. Instead of replacing this supplier, UNHCR decided to use the Zambian company to replenish existing stockpiles via a long-term agreement. The goal of this measure was to increase production capacity of the company diversify UNHCR’s pool of supplies in the region

¹⁵ Although establishing a LTA is not a guarantee that the UN will purchase from that supplier it is rare that no purchase is made during the duration of the contract.

The inclusion of language that encourages corporate responsibility is another way of aligning the procurement process with sustainable development objectives. By mentioning that “the UN strongly encourages all vendors to actively participate in the Global Compact”¹⁶ and making a link in their web-site to the Global Compact, the UN Procurement Services encourage suppliers to align their business practices with sustainable development goals and introduce a concept that may become a more decisive element in their purchasing decisions.

This must be seen in a context where in a few UN managed buildings initiatives are developing to purchase more sustainable office equipment such as paper, IT equipment or café for the canteens together with attempts in some cases to save energy.

Some concrete examples of the initiatives evocated above are in Box 1 and Box 2 below.

BOX 2 : ALIGNING PROCUREMENT WITH SUSTAINABLE DEVELOPMENT

UNICEF – Factory inspections

Under its general conditions UNICEF conducts factory inspections of companies who are supplying goods to the agency. In addition to its requirements that companies do not produce anti-personnel mines nor employ child labour, waste management and environmental friendliness are assessed. Questions include :

- * Are there by-products? If yes, what is the product?
- * Does the plant produce health hazardous waste? If yes, how is waste managed?
- * Is the environment safe and without health risk? If no, what safeguards are in place?
- * Is there an effluent water treatment plant?
- * Ventilation and lighting are also checked

UNIDO – Corporate strategy

In the late 1990s, in response to an explicit request from Member States to reform its operations, UNIDO underwent an intensive process of discussion and evaluation to produce a focused corporate strategy that outlined an approach to help it fulfil its mandate and mission. A key component of this new strategy was establishing the correspondence between the requirements of sustainable industrial development and poverty alleviation on one hand, and the role of UNIDO as provider of solutions on the other hand. This new strategy –backed by the Member States and overseen by an Agency Director committed to clean and sustainable industrial development– has seen the goal of sustainable development become incorporated throughout the agency’s activities. UNIDO’s motto *Economy, Environment, Employment* underlines this integration

UNDP – Procurement Manual

The UNDP procurement manual outlines environmental concerns to be reviewed before finalising the purchasing of goods or services. An accompanying series of questions helps procurement officers ascertain how environmentally-friendly a good or service may be. While not mandatory, UNDP encourages the use of these environmental guidelines to help guide purchasing. An annual competition between offices for the “greenest” purchasing, with prize money of \$5,000, provides an incentive

UN/PS – Code of conduct

UN/PS is developing a UN Supplier Code of Conduct in line with the Global Compact. As such it is structured around the ten guiding principles of the Global Compact, covering issues relating to labour, human rights, environment and bribery and corruption. The provisions outlined in the Code provide the minimum standard expected of all suppliers to the UN. Monitoring and evaluation consist of on-site evaluations and monitoring of milestones set. Failure to meet the principles of the Code may impact the future ability of the supplier to do business with the UN.

¹⁶ UN/PS website: www.un.org/Depts/ptd/global.htm

Procurement and sustainable development goals

None of the procurement officials interviewed saw the existing UN procurement criteria as being counter-productive to sustainable development. However they said goods and services need to meet certain standards and these standards may not be conducive to promoting sustainable development criteria. This is especially the case for specialised agencies such as FAO, UNFPA, UNHCR, IAEA etc., that require that goods and services meet rigorous technical standards [an example: a four wheel car is needed in areas difficult to reach but it is not good for the environment, food needs to last long and be safe in extreme conditions that may require treating the food with substances that are safe for the health but not necessarily good for the environment]. Meeting these standards is of primary importance; supporting business in developing regions or favouring those companies that produce goods in an environmentally responsible manner is secondary.

Barriers to integrating sustainable development criteria

Despite the relative openness to aligning procurement and sustainability considerations interviewees did highlight a number of barriers. Overwhelmingly the lack of high level political buy-in and support was noted as the number one barrier to developing any sort of procurement policy or activities that meet sustainable development criteria. Initiatives generated despite this support were often short-lived or were limited to a small proportion of the procurement activities.

Coupled with this absence of political support is the lack of capacity to address the issue of sustainable development within the context of procurement. The interviewees claimed they lack capacity to incorporate sustainable development criteria into bidding documents. In concrete they indicated they need technical expertise and guidance on “how to do it” [sustainable products criteria, databases, overall training on sustainable development, incentives and so on]. This lack of understanding and tools is aggravated by more complex logistic issues such as the difficulty in on-field operations to assure at the same time a timely provision of goods and services, the identification of companies that meet sustainable development and technical criteria while also ensuring overall transparency and fairness.

Thus procurers indicated the implementation phase as problematic. They ask “Given the broad definition of sustainable development, how does one translate this concept into actions that support the procurement process as outlined in the UN Financial Rules and Regulations?” As one interviewee stated “sustainable procurement is not difficult to draft; it is difficult to implement”. The difficulty in implementation is related to the above mentioned need for technical expertise on “how to do it”, to the lack of tools and clear criteria to assess product’s sustainability and to the lack of understanding among procurers of sustainable development and products or services life cycle.

The lack of training tools and occasions was also associated by interviewees to the logistic difficulty in educating and training of staff. This is particularly the case with agencies that have delegated authority to country-level offices. Lack of funds to train staff is generally a persistent problem regardless whether procurement staff are centralised or decentralised.

Another major barrier perceived by interviewees is the exclusion of procurement services in the project development process. To date, procurement is seen as the ‘step-child’; while its services are needed it is not included in the drafting of technical documents that form the basis of solicitation documents. This artificial separation between defining what is needed and how it is purchased means that neither side benefits from the expertise of the other. Operating in a more co-operative manner would allow procurement to indicate where technical requirements are inconsistent with basic purchasing requirements, such as fairness or availability of product.

Procurement, Global Compact and the Millennium Development Goals

Discussions prior to this survey work asked the question whether pursuing the objectives of the Millennium Development Goals (MDG) or of the Global Compact (GC) would 1) help an agency define a procurement policy that meets the goal of sustainable development; and 2) assist with the implementation structure.

In short, there was no consensus on this. Some agencies felt that the GC can be a mechanism to encourage suppliers to sign onto the principles and through meeting them improve their sustainability profile. Others felt that the aims of the GC were too idealistic, citing that only 5% of UN suppliers are GC companies. Most interviewees saw the MDGs as being too broad to have any significance in shaping procurement practices although the ILO felt that involvement with these framework initiatives have helped to drive implementation and integration.

In general interviewees agreed that the challenge of using such initiatives to shape procurement policy is how to draw concise and precise requirements that can be converted into operational requirements. They reported a general feeling of “initiative fatigue” coupled with procurement staff being stretched thin. As a result, it was clearly stated, any re-alignment of procurement practices would have to be done within the current context of operation unless extra financial and staffing support are made available.

Role of requisitioners

The interviews were carried out with the procurement departments. During these interviews however a “new” figure emerged in the casual chain of purchasing: the requisitioners. Interviewees indicated the latter as a crucial actor in aligning the procurement process with sustainable development criteria. Requisitioners are staff or agencies who define the technical requirements of a project. They are in a sense the catalyst of the procurement process. According to the interviewees it is therefore at this level that sustainable development criteria need to be established. Procurers have then a base to solicit companies to bid, ensuring that they meet the required technical and sustainability criteria. However - we were told - for this to happen three conditions need to be met:

BOX 3: CREATIVE REQUISITIONING

In **UNHCR**, country-based requisitioners have been very active in trying to promote sustainable development at the local level by changing how they structure their requests. For example, they have modified specifications and service requirements to local standards and often split large good and service contracts into smaller contracts to allow for small- and medium-size company participation. Regular interaction and meetings with the local and regional businesses keeps the requisitioners abreast of new developments and opportunities for sourcing at local and regional levels.

First, there needs to be general awareness of both requisitioners and procurers: for requisitioners this entails learning how to include sustainable development criteria into requisitioning documents; for procurers this entails learning how to assess project documentation, i.e. to look for opportunities to meet sustainable development criteria and point out potential procurement or legal difficulties.

Second, there must be a commitment from the technical side to incorporate sustainable development criteria into the project documentation.

Third, there must be regular communication and feedback between both groups to ensure quality control of the goods and services being purchased.

What is procurers' point of view on how to integrate sustainable development criteria in their work?

The questionnaire asked procurers for suggestions on how can sustainable development criteria be incorporated into an agency's purchasing decisions while still satisfying the four basic procurement "tenants" and specific technical requirements.

While responses for how the actual process of incorporation could be done varied, there was unanimous agreement that top level management support and buy-in were critical; procurers made clear that according to them the integration of sustainable development criteria into what and how an agency buys is fundamentally an ethical issue which should be integrated in the organisation overall policy. Furthermore, they suggested the "ethic" of sustainable development should be aimed at the programmatic level so that sustainable development criteria are incorporated into project design and requisitioning documents. These criteria would then be folded into the bidding documents where the procurement staff can ensure that the specifications generated are neutral and transparent.

For specialised agencies, seeing procurement from a development perspective rather than an administrative one is particularly powerful as it links the whole process from conception to execution rather than procurement being an "after thought"; a step necessary for project completion.¹⁷

What main needs did procurers highlight?

While most procurers showed a sufficient - although varied - understanding of the concept of sustainable development, knowing how to shape procurement activities that support sustainable development is another issue, that seemed valid also for requisitioners. Interviewees therefore called for technical support to help craft minimal criteria that can be incorporated into tendering documents and against which goods and services can be checked. Information exchange on what agencies have done, what has been successful and what has not, is to them invaluable.

¹⁷ However perspective needs to be kept; that while the goal of sustainable development is laudable, ensuring the survival of a population via the timely delivery of food -for example- is of utmost importance and should not be compromised.

Awareness raising of vendors also was indicated as a need.¹⁸ Ultimately requisitioners, procurers and vendors should be working from the same set of criteria when drafting technical requirements and solicitation and bidding documentation.

Financial support to perform what will be at least at the beginning extra duties was finally noted as being “valuable” in terms of actual implementation.

Interviews summary and conclusions

This chapter provides a summary of the suggestions collected through the questionnaire and the interviews on how to integrate sustainable development in the UN system purchasing practices. Some of it may seem a repetition of what reported above. The intention is to collect all the findings in one place.

Need for commitment

Almost every agency interviewed cited the lack of a agency-wide explicit policy on sustainable procurement and of top management endorsement as the number one barrier to developing and systematically aligning the procurement process with sustainable development criteria. Without it, any initiative towards sustainable procurement will, at best, be sporadic. The positive case of UNIDO shows indeed how management commitment can provide the “energy” that drives the process [Box 2]. Once that is gained however a three pronged approach needs to follow consisting of: 1) policy development; 2) training and awareness raising; and 3) facilitation [including incentives] and provision of tools. Of course an initial increase in financial and staff resources is also necessary but it was not presented as a major obstacle.

Understand the role of procurement but shift perspective

The role of procurement is to procure and while that does not mean that procurement cannot and should not operate in-line with sustainable development thinking, it is unrealistic to expect procurement to be the engine for sustainable development within an agency. Sustainable development is not a procurement issue but an agency issue to which procurement contributes.

Conversations on the integration of sustainable development criteria into procurement decisions illustrate two salient points:

1. First, the concept of sustainable development is not foreign; that agencies are thinking about it even if in an informal or ad-hoc manner.
2. Second, there is no real resistance to folding sustainable development criteria into the procurement process.

The above is encouraging but does not get at the more complicated issue of *how* to align sustainable development and procurement.

¹⁸ If the sustainable development paradigm is to be followed then vendors too need to be educated as to what constitutes a product or service that “supports sustainable development”.

Ultimately, procurement needs to be seen from a development perspective not simply an administrative one; i.e. procurement becomes one of the tools to meet an agency's mandate rather than a process by which goods and services are supplied to the agency and its activities. This shift implies an effort to integrate procurement into the broader project development process. For example, an aid agency would shift from providing supplies, e.g. meeting the need at hand, to providing services, e.g. establishing a process by which countries are able to address the need at hand themselves. This re-thinking of the role of procurement within the context of an agency's mandate -moving from provision of services to building in-country capacity - also supports sustainable development objectives.

Be practical

Because of the general awareness of sustainable development and the existence of numerous initiatives, any policy directive should focus on what is to be achieved with the incorporation of sustainable development criteria in procurement practices rather than on sustainable procurement per se.¹⁹ Concurrently, practical tools need to be developed to guide requisitioners, procurers *and* vendors on evaluating goods and services, using sustainable development criteria as guidance.

Encourage collaboration

Co-operation at the agency level is needed to define general sustainability criteria. Agencies should contribute their expertise with regards to specific elements of sustainable development, e.g. UNEP on environmental issues, ILO on labour etc. UN-wide participation is a prime way to mainstream the chosen criteria in the procurement process. The inclusion of anti-personal mines and child labour clauses in procurement documentation across much of the UN is a case in point.

Inter-agency cooperation is also needed to form the critical mass necessary to make the change systemic.

BOX 4: THE 7 Cs – how to think about the process [from the procurers point of view]

- *Commitment*: provide political, financial, institutional support
- *Change*: use procurement as a tool not a process
- *Comprehension*: see procurement as a contributor not the engine
- *Concrete*: design practical solutions
- *Collaboration*: encourage inter-agency co-operation
- *Construction*: build on what is already there
- *Check* : give ways to control information on products and services

¹⁹ Ultimately, sustainable development criteria should be incorporated into the four basic procurement tenants that already exist in the UN Financial Rules and Regulations. This would allow for agency specific interpretation –which currently occurs– and would ensure that the procurement process in general is aligned with sustainable development criteria.

Build on existing initiatives

As is seen by the number of initiatives already in place there is no need to convince procurement staff of the importance of sustainable development. Instead, energies should be spent on defining what is acceptable and what is not and providing staff with the necessary resources to develop evaluation and monitoring tools.

Final recommendations and role of the EMG

This report has thus far outlined the current situation as it emerged from the interviews with procurement officials of a selected number of UN agencies with regards to if and how sustainable development criteria are being applied to procurement practices.

This final section elaborates on the survey findings and presents a series of recommendations also based on experiences UNEP has detected on how these criteria were folded into the procurement process in other organizations [national governments, local authorities and businesses].

They have been divided into two sections: policy-level recommendations and project-level recommendations with the latter focusing primarily on tool development.

Finally we will present suggestions on what the role of the EMG could be in presenting these recommendations to the appropriate bodies within the UN so as to foster a debate and “provoke” policy decisions that initiate a process of inclusion of sustainable development in UN procurement.

Final recommendations

Policy Recommendations

These recommendations are aimed at creating the conditions for change at the UN and agency levels. As such they are broad in scope and set the tenor for institutional change in relation to procurement and sustainable development.

Provide the political support

Provide sustained political support to facilitate the incorporation of sustainability criteria into the procurement process. As repeatedly mentioned by procurers a system wide or agency wide policy would provide the legal backing to the whole process of the inclusion of sustainable development considerations in procurement.

The policy would also need to indicate what means and institutional measures need to be put in place to assist requisitioners and procurers to develop and assess purchasing specifications and to communicate these requirements to prospective vendors. Finally the policy would need to indicate how at system or agency level awareness will be created, to instruct internally, e.g. to requisitioners and procurers, and externally, e.g. vendors. The Un reform underway could be the ideal occasion to introduce a policy of

harmonization between UN goals as a system and its way to purchase and design projects.

Set the bar

Begin the process of incorporating minimal expectations into vendor specifications, using international conventions, e.g. Montreal Protocol, Biodiversity Convention, Stockholm Convention etc., as well as recognized international and national standards as a basis. Drawing on these established principles to guide general purchasing criteria ensures objectivity and transparency as conventions are negotiated documents and not representative of a single viewpoint.²⁰ Although this may raise the bar for some companies and generate criticism of discrimination, comparison between companies is at the same –if higher– level. The more mature the market, the more the level of expectation and rigor of the specifications can be increased. If the market is not mature the UN helps to mature it by setting the specifications to encourage change.

UN PS has started this by for instance with a link to Global Compact in its page on how to do business with the UN and mentioning that “The United Nations strongly encourages all vendors to actively participate in the Global Compact”.

Designate a champion

Identify a person who has the mandate to design and implement an agency’s procurement process based on key sustainable development criteria. The champion would have to be in the procurement department but work in close relation with the other agency’s departments competent on sustainable development.

The results would then be shared with other agencies through existing bodies such as the IAPWG and the EMG.²¹ Ultimately these champion would be available to assist other agencies to develop and implement their own policies as well as facilitate information sharing.

Systematically document initiatives

Compile information on the numerous initiatives currently occurring throughout the UN so as to have a comprehensive overview of who is doing what and what the experiences have been. Information on implementation and monitoring procedures as well as examples of what has, and has not, worked and why should also be included. While not every initiative will be able to answer each question in detail,²² such a compilation would allow for some important conclusions to be made. Moreover, this information would be instructive to agencies when re-shaping their procurement policies.

²⁰ Moreover, setting a minimal level –as opposed to an absolute level– gives agencies the flexibility to decide whether more rigorous specifications are needed, e.g. some products require a deeper level of evaluation than others because of their potential impact. Agencies are best placed to make this assessment.

²¹ Much of the “inertia” within agencies is not due to disinterest or lack of intent but from a fundamental dearth of concentrated effort.

²² This would especially be the case with those initiatives that are not deliberately designed in support of sustainable development criteria yet do so through its secondary effects.

Examples of questions that could be asked:

- How has the integration of sustainable development criteria been done?
- What is the documentation?
- How is the process monitored?
- Is the process replicable?
- What has and has not worked?

Given the large experience of some member countries on environmentally and / or socially sustainable procurement it is advisable that such a repository of experiences looks beyond the UN system into national and local authorities experiences and even to business supply chain management systems.

Programmatic Recommendations

These recommendations are examples of activities that could be developed at the programmatic level to facilitate the integration of sustainable development criteria into the procurement process. It goes without saying that regardless of activity, goals should be broken down into short-, medium-, and long-term objectives as some activities can be implemented immediately whereas others will require longer lead times to develop. Moreover, agencies need to be realistic about the resources available to developing such activities. While in the long-term there should be no need for increased resources, the transition period will likely require additional financial and staffing inputs.

Increase focus on upstream activities

One way to help procurers meet sustainable development criteria is by pre-screening potential vendors. Performing more upstream activities, i.e. ahead of the procurement process, such as factory audits of suppliers, pre-qualification of suppliers and the establishment of more long-term agreements, are methods of ensuring that those vendors solicited for bids meet minimal sustainability criteria.

The tool for this could be the UN Global market place [UNGM]. The latter is an electronic repository where UN vendors have to be registered to make business with the vast majority of agencies. The database now just demands vendors information on their environmental policy and encourages participation in the Global Compact. More stringent measures, and proofs could be demanded so as to be able to pre-qualify suppliers on the base of their sustainability performance.

Factory audits of suppliers are already successfully performed by UNICEF and ILO [Box 2]. This practice could be shared and extended to other agencies.

Develop an internal education strategy for all UN staff

Limiting education efforts at procurement officers would be a mistake. Raising awareness internally for all staff is essential to create a corporate culture. Simple tools such as stickers that remind staff to conserve resources e.g. water, electricity, have been proven to be effective in raising awareness. Distribution of leaflets that outline key questions staff should ask themselves when requesting office products is yet another way. To ensure UN-wide education, a CD ROM –similar to the one produced on basic staff security²³ could be developed and distributed. The result of such

²³The full title of this CD ROM is: *Basic Security in the Field – staff safety health and welfare.*

initiatives would be to make the concept of sustainable development habit forming so that the incorporation of these criteria into project documents and personal behaviour becomes second nature.

Develop tools for procurers

Requisitioners need to be trained in how to include sustainable development criteria in invitations and Request for Proposals. Procurers need to be trained in how to identify areas that need improvement in subsequent bids and communicate this back to requisitioners. Via this iterative procedure a gradual alignment of both processes can occur. Below are descriptions of some tools to facilitate this.

1. Develop checklists

“How do I know what questions to ask?” is the most commonly asked question by procurers when talking about sustainability criteria. Generating checklists is one way to help structure the assessment process. However in the interest of transparency vendors should also be informed as to what is acceptable and what is not. Therefore two sets of checklist should be formed:

- for procurers – a series of questions and list of minimal criteria against which procurers can check a potential vendor
- for vendors – a list of items and products that are not acceptable

Criteria for such checklist would come from existing documents such as international treaties and conventions, the Consolidated List of Banned Substances (UN/DESA) etc. Housing these checklists at a centralized location such as the UNGM website would be ideal, allowing procurers and suppliers regardless of location to access the latest information. An integrated search function would permit vendors or procurer to see whether a particular product or substance is acceptable.

Drafting these checklist could be a collective effort of specialized agencies: for instance UNEP on environmental issues, ILO on labor related issues, and so on.

2. Generate a series of Terms of Reference (TORs)

There are a certain number of goods and services that are repeatedly purchased in the UN system. Generating TORs for these commodities would provide requisitioners and procurers with the information needed to detail a bid or purchase order.²⁴ For example:

1. select the top forty commodities, based on volume purchased and identify ten services and ten products then;
2. generate pre-packaged TOR that outlines for each service or product selected the key issues associated with that product, e.g. air conditioners: must be Freon-free etc.

Ideally this information should be expanded to cover all commonly purchased commodities. The TORs should also be translated into multiple languages for greater accessibility. A final step could be to develop a preferential selection list of companies, building on the UN Global Marketplace. This however would require that a monitoring and reporting processes be in place first.

²⁴ UNHCR’s background paper *Environmentally Friendlier Procurement* could be used as a starting point. This document outlines the rationale for why a particular substance should not be purchased and provides a ranking from desirable to undesirable in terms of product content. The document covers four areas: 1) potentially hazardous chemical, 2) ozone-depleting substances; 3) office paper and computer equipment; and 4) asbestos.

3. Build on the procurement training process

Currently there are regular procurement training activities on various topics carried in New York,²⁵ Turin and in the field. Further developing and integrating modules on sustainable development, what it is, what it means, how to assess products and services against sustainability criteria etc. would be a relatively simple way of educating procurement officers.²⁶

The UN IAPWG is drafting a common training and certification scheme for UN procurers. Sustainable Procurement is one of the competencies covered in the "UN Procurement Practitioners' Handbook", which forms the basis for the training and certification of procurement officers in the UN System. UNEP and IAPSO have been involved in the drafting of the Handbook chapter on Sustainable Procurement.

4. Use voluntary initiatives as guidance

Use the adherence of companies to voluntary initiatives such as the Global Compact as way to pre-screen potential vendors. As monitoring of participating companies would be a Herculean task, vendors should be asked to sign a separate a statement that acknowledges that any violation of the voluntary initiative would constitute automatic termination of a contract or agreement. Alternatively, a questionnaire on sustainable development practices could be included in the vendor registration package. While mandatory completion of such a questionnaire may raise political ire, i.e. claims that the UN is discriminating against companies who lack the institutional capacity to have a sustainable development policy, it could be used as a supplemental component to the vendor screening process, with the results weighed accordingly in the final decision.

As in the cases presented in Boxes 1 and 3 corrective systems such progressive training of small and medium enterprises and long term agreements would have to be integrated in the system so as to avoid excluding smaller organizations from the UN procurement market.

Information sharing

The need for a centralized, widely accessible source of information is necessary both to support the “re-engineering” of procurement practices and to provide inspiration to agencies that are beginning the process. While there are various UN sites that address various aspects of procurement,²⁷ there is no one site that is specifically designed to address the needs of all three procurement “players”; requisitioners, procurers and vendors.²⁸ Such a system could provide information on:

- current activities and case studies
- policy development
- checklists and TORs
- training modules

²⁵ This is being done by UN/PS.

²⁶ IAPSO and UNEP are currently developing training materials on sustainable procurement. The idea is to fold this module into training offered to procurement officers.

²⁷ In addition to the three listed here most agencies have a section on their own website that deals with procurement issues

- Environmental and Socially Responsible Procurement Working Group
www.sustainableprocurement.net
- Doing Business with the United Nations System of Organisations: <http://unbiz.un.int>
- UN Global Marketplace: www.uncsd.org/

²⁸ Ideally this should build on and strengthen the work of existing bodies such as the IAPWG.

Role of EMG

This report has shown that there are some initial steps towards a vision of procurement as one of the avenues to meet single agency's and UN system wide major goals, e.g. poverty eradication, sustainability, in-country capacity building etc.²⁹ However, the process is erratic with many of the agencies re-inventing the wheel because of the lack of a systematized information exchange system.³⁰

Where the EMG can contribute is by initiating and firmly supporting a UN-wide approach that consists of strong political buy-in and agreement of minimal standards that the UN as a whole will meet. By linking the UN together with an information network, each agency can then design its own approach to meeting these standards, deciding how to do so and whether to set a higher bar.

The EMG has done a first step in this direction by requesting the present inventory. The next steps would have to go towards taking concrete [and visible] initiatives both at political and at practical level to strengthen the discussions already open by this report with the procurement departments of agencies. For instance EMG could :

1. Initiate the necessary steps together with the InterAgency Procurement Working Group to propose a UN-wide commitment to sustainable procurement signed by the UN Secretary-General
2. Create and provide financial resources to a mixed group composed of environment, procurement and social issues experts for the development of training activities to raise awareness of procurers and requisitioners on the *what, why* and *how* of sustainable procurement. Note that this process should be linked with the existing initiative managed by ILO for a UN wide procurers certification
3. Create an interagency group within the EMG and provide resources for the development and dissemination of a CD rom to educate UN staff on what can be done in the office and in project management to contribute to sustainability and to the achievement of Millennium Development Goals.

These steps could be proposed by the EMG to the UN SG as the first phase of aligning UN procurement with sustainable development criteria and ultimately moving the UN into a leadership role on sustainable procurement.

²⁹ For a list of initiatives occurring within the agencies surveyed, see Annex 5.

³⁰ Discussion on broader procurement goals has been facilitated by the Inter-Agency Procurement Working Group (IAPWG). For example, this year's meeting in Moscow (May 2005) had the theme of linking procurement strategy to organisational strategies such as the MDGs. However there is no regular exchange of information at the programmatic level.

ANNEX 1: Documents that support or make explicit references to procurement:

Agenda 21 makes explicit references to procurement, as follows:

“4.23. Governments [...] should [...] review the purchasing policies of their agencies and departments so that they may improve, where possible, the environmental content of government procurement policies, without prejudice to international trade principles.”

7.69 (f) Develop policies and practices to reach the informal sector [...] through, inter alia, credit schemes and bulk procurement [...].

7.74. Local authorities are called upon to play a pioneering role [...] e.g., by pursuing an innovative procurement policy.

11.17. (c) Increase action related to genetic improvement and application of biotechnology [...] including, for example [...] seed procurement networks [...].

21.10 (d) Emphasize waste minimization considerations in procurement within the United Nations system.

The **World Summit on Sustainable Development**, convened by the UN at Johannesburg in August-September 2002 was quite specific concerning public procurement. Para. 19 of the Report of the Conference is another call for “green” procurement as it records the Heads of state commitment to “Encourage relevant authorities at all levels to take sustainable development considerations into account in decision-making, including on [...] public procurement [...]. This would include actions [...] to (c) Promote public procurement policies that encourage development and diffusion of environmentally sound goods and services”. Para. 45 highlights the fact that better public procurement policies can contribute significantly in energy conservation and efficiency. Finally, para. 53 urges local authorities to promote “green procurement policies to push industries to produce in environmentally friendly and fair manners”.

The **Paris Declaration** recognizes that improvements in the performance of procurement systems yield enormous benefits. They not only increase efficiency but they also are a condition for greater reliance on country systems and therefore for “ownership”, i.e. the effective exercise of partner countries’ authority over their own development programmes.

United Nations Convention against Corruption, adopted by the UN General Assembly (Resolution 58/4) in October 2003 devotes its Article 9 to public procurement. By this convention, each State Party shall take the necessary steps to establish appropriate systems of procurement, based on transparency, competition and objective criteria in decision-making. Such systems shall address (a) the public distribution of information relating to procurement procedures and contracts, including information on invitations to tender and relevant or pertinent information on the award of contracts, allowing potential tenderers sufficient time to prepare and submit their

tenders; (b) the establishment, in advance, of conditions for participation, including selection and award criteria and tendering rules, and their publication; (c) the use of objective and predetermined criteria for public procurement decisions; (d) an effective system of domestic review; (e) measures to regulate matters regarding personnel responsible for procurement, such as declaration of interest in particular public procurements.

*Ref: United Nations Procurement and the Millennium Development Goals
Dominique Alhéritière – Director, Administrative Services Division, FAO*

ANNEX 2: Environmental Management Systems in Facilities Management

An environmental management system (EMS) is a management tool that can be used to assist facilities managers to bring their facilities in-line with sustainable development criteria. By identifying high impact areas such as energy, equipment, emissions etc., managers can use the EMS to guide the process of reducing these impacts either through a change in process or in the goods or services purchased. An EMS applies to a site: it includes the organisational structure, planning activities, responsibilities, practices, processes and resources for implementing and maintaining environmental management.

Within the UN, the Facilities Management Working Group is working to align its practices and managerial roles to Global Compact principles. Following on UNEP DTIE's presentation *Global Compact and EMS* at the UN Inter-Agency Network of Facilities Managers (September 2004, Beirut), the implementation of an EMS at the facilities level was identified as one of the mechanisms by which an agency can integrate the principles of a value framework such as the Global Compact. In Autumn 2004 UNEP Headquarters (Nairobi) began the process of conducting an environmental assessment, the first step in establishing an EMS. UNDP's use of an EMS to green several of its floors is described below.

BOX 5: Greening an Office

In 2002, UNDP's Bureau of Development and Policy renovated three floors in its New York F Building. Specifications –drawn up for carpeting, partitioning, furniture, lighting etc.– stipulated that products were to be made of low-emitting materials, be resource efficient and contribute to an enhanced comfort level for employees. The impetus for this retro-fitting was to showcase how an office could be designed to be “environmentally friendly”. Despite meeting this objective, questions still remain as to the fiscal “soundness” of such a project. Some of the renovations, such as carpeting and lighting, have been quantifiable. With other renovations –furniture, partitioning etc.– it has been difficult to demonstrate the economic return. Secondary savings such as a decrease in respiratory illness due to low VOC carpeting or reduced emissions from furniture manufacturing that is done in an environmentally sound manner are not accounted for in the current cost-benefit analysis. While economics are not the only criteria to be met in facilities management, it is a key component. Moreover, the level of economic return is an important factor when it comes to convincing management the value of aligning procurement and facilities management practices with sustainable development criteria.

ANNEX 3: Overview of procurement within the UN

Major items procured by the UN system – 2004:

Equipment	Services
<ul style="list-style-type: none"> • Food • pharmaceutical supplies • vehicles • computer software • shelter and housing • telecommunications equipment • laboratory equipment • chemicals • building materials 	<ul style="list-style-type: none"> • security supplies • outsourced personnel services • engineering services • construction • corporate services • freight services • printing services and equipment rental • consultancy services • telecommunication services

*Ref: Presentation – Doing Business with the UN
Christian Saunders – Chief, UN Procurement Services*

Procurement Volume – 15 Major UN Agencies – 2003:

Organisation	Value (US\$ millions)
<ul style="list-style-type: none"> • WFP • UN/PS • UNDP • UNICEF • UNOPS • FAO • PAHO • UNRWA • WHO • UNFPA • UNHCR • IAPSO • ICAO • IAE • WIPO 	<ul style="list-style-type: none"> • 1057.88 • 891.85 • 732.03 • 709.31 • 383.01 • 376.50 • 211.97 • 120.61 • 117.53 • 94.77 • 90.66 • 89.86 • 69.77 • 68.72 • 66.03

*Ref: Presentation – Doing Business with the UN
Christian Saunders – Chief, UN Procurement Services*

ANNEX 4: List of Interviewees and Contact Information

Organisation	Name	Function	E-mail
FAO	Dominique Alhéritière	Chief Procurement Officer	dominique.alheritiere@fao.org
IAEA	Néstor Cravero	Senior Procurement Officer	n.cravero@iaea.org
IAPSO	Niels Ramm	Procurement Specialist	niels.ramm@iapso.org
ILO	Mr. Morten Hovda	Chief, Procurement Section	Hovda@ilo.org
OHCHR	Joanna Porreca	Chief , Procurement + Contracts Unit – UNOG	jporreca@unog.ch
UNDP	Krishan Batra	Office of Legal and Procurement Support	krishan.batra@undp.org
UNEP/UNON	Josie Villamen	Deputy Chief, Support Services Service	josie.villamin@unon.org
UNFPA	David Smith	Chief, Procurement Unit	dsmith@unfpa.org
UNHCR	Mats Hultgren	Chief, Procurement & Contracts Section	hultgren@unhcr.ch
UNICEF	Sandie Blanchet	Communication Officer	sblanchet@unicef.org
UNIDO	Victor Koloskov	Chief of Procurement Services	V.koloskov@unido.org
UNOPS	Raphael Appelbaum	Legal Officer	raphaela@unops.org
UN/PS	Christian Saunders Sandra Saiegh	Chief Procurement Division Services & Contract Team	saundersc@un.org saiegh@un.org
WFP	Dominic Grace	Chief, Non-Food Procurement Branch	Dominic.grace@wfp.org

ANNEX 5: Interview Questionnaire

Current situation

1. Could you briefly outline your agency's procurement policy?
2. What criteria must be met?
3. Is your agency currently doing anything that supports the goal of SD?
e.g., internal discussion of concept/need; training on product assessment; policy development; informal processes (officers using concept of SD to guide procurement decisions etc.).

Applying the concept

4. Do you see any of the criteria you listed above as being counter-productive to meeting the goal of SD?
5. Do you think that the procurement process can help meet the goal of SD?

Possibilities

6. Are there possibilities for integrating SD criteria into your agency's purchasing decision?
 - a. How do you think SD criteria could best be integrated into the procurement process?
7. What do you see as the barriers to integrating SD criteria into your agency's procurement practices?
8. Do you think that the pursuing the objectives of existing initiatives e.g. Global Compact, Millennium Development Goals, would help your agency in defining a procurement policy that meets the goal of SD?
9. What role could/should requisitioners play, if any?

Needs

10. If your agency was to use the concept of SD to guide purchasing decisions, what forms of support would be needed?
e.g., training (assessment, verification, legal) technical support, guideline development, information exchange, financial support, political buy-in, advertising and promotional help (with vendors).

ANNEX 6: Overview of Initiatives in the UN

UN Agency	Key Initiatives Related to Sustainable Development
FAO	Has an international Code of Conduct on the Distribution and Use of Pesticides. Its Sustainable Development Department (SD) serves as a global reference centre within FAO on sustainable development.
ILO	Requires details in all procurement documentation that participating companies must satisfy 5 key labour points as outlined in the Fundamental Principle of Rights at Work
IAPSO/UNEP	Developing sustainable procurement training kit <i>Buying for a Better World: sustainable procurement</i>
UNDP	Lists environmental issues and questions to ask in UNDP Procurement Manual; runs green office competition
UNEP	Developing a reporting system on the sustainability performance of its operations, using GRI Guidelines as the basis. Work has started within the Division of Technology, Industry and Economics and will be applied to UNEP as a whole.
UNEP/IAPSO	Developed web-based product criteria database <i>International Directory on Environmentally Sustainable Procurement</i> .
UNHCR	Has document called <i>Environmentally Friendlier Procurement</i> that addresses: potentially hazardous chemical, ozone-depleting substances, office paper and computer equipment, asbestos
UNICEF	Conducts factory inspection guidelines that covers emissions, waste, physical environment, child labour and mine issues

UNIDO	Explicit detailing of sustainability issues and how to best meet them in its Corporate Strategy
UNOG (UNCHR)	Encourages vendors to subscribe to the Global Compact
UNON	Currently conducting initial environmental review and developing a sustainable procurement policy; has established a Guaranteed Fair Employment Package (“Fair Pack” policy)
UNOPS	Makes explicit reference to mines, sexual exploitation and Fundamental Principle of Rights in its Work General Conditions for Purchase Orders for Goods
UNPKO	Developing Environmental Guidelines for UN Peacekeeping Field Missions
UN/PS	Encourages vendors to subscribe to the Global Compact; currently finalising UN Supplier Code of Conduct structured around the principles of the Global Compact

ANNEX 7: EMG and Sustainable procurement

[UNEP report to the 8th EMG meeting of 1/9/2004]

The objective of this paper - which is still incomplete and surely not yet fully accurate - is to provoke discussions within the EMG and to make some first proposals for an EMG position on the integration of sustainable development across UN agencies operations in headquarters and on the field.

The proposals and considerations of this paper are based on the experience of UNEP in being active at international level on Sustainable procurement (SP) as well as on a preliminary overview carried out by UNEP of activities of international organisations on SP. A synthesis of activities undertaken by major agencies is in Annex III.

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 reach of its own policy goals such as sustainable development.

Therefore, 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 good 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 the grave;
3. Social aspects: effects of purchasing decisions on issues such as poverty eradication, international equity in the distribution of resources, labour conditions, human rights.

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

The need to work on the inclusion of sustainable development considerations in procurement practices of both UN and national authorities, is recognised in Agenda 21 (chpt 4.23), reiterated in the UN Guidelines on Consumer Protection (1999).

Lately the plan of Implementation of WSSD (chpt III.18) approved in September 2002 insisted on the need to foster sustainable development and in particular sustainable consumption and production patterns also by the purchasing policies of private and public organisations which includes also the UN.

SP is also part of the UNEP strategy for Sustainable Consumption and Production presented at the 22nd UNEP Governing Council in February 2003 and approved with decision GC22/6.

Furthermore the International Expert Meeting in Marrakech on a 10-framework of Programmes for Sustainable Consumption and Production in May 2003 recommended to: carry out “a pilot programme on training in SP and exploring up-scaling {...}. With UN-Desa explore the possibility of a UN code as well as start preparatory work on UN offices and operations procurement”

But also UN and UNEP in particular received the following signals on the need to tackle SP:

- Fall 2002:the board of Auditors to the General Assembly suggests that the UNEP ED should take the initiative in bringing to the attention of the UN chiefs executive board the possibility of developing a framework to implement the environmental policies in the UN system.
- Fall 2002: Panel of External Auditors of the United Nations, agreed that the Technical Group should review the extent to which attention to environmental issues is integrated into the work of United Nations organisations; and also what policies and standards exist in the organisations. In this regard, a standard questionnaire has been developed and distributed across UN to assess the extent to which environmental management (thus procurement as well) is integrated in the activities of UN organisations).
- UNEP Governing Council decision 18/10 of May 1995 by which the governing council requested UNEP to: “consider and recommend strategies for the promotion of best practices in environmental housekeeping for use by UNEP and to advice and encourage other organisations of the UN system to improve their environmental performance and promoting sustainable development.”

3. Meaning of sustainable procurement (SP) in the contest 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. UNEP, in the words of its Executive Director, believes that “We should ... intensify our efforts towards the creation of a life cycle economy and we can do that only if we work together on the demand side as intensively as on the production side. The purchasing practices of both public and private organisations are an essential asset in supporting sustainability and giving the right signals on the market“.

The ways that the UN, multilateral development banks and development agencies can influence the market are various. The UN moves directly or indirectly a non-insignificant 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 setting the framework for other stakeholders (development agencies, national governments etc.)

Mostly important, the UN family organisations have the duty to “practising what they preach” and use their market power to give a clear signal of what their priorities are. There are furthermore under increasing scrutiny by Non governmental organisations and the presses on the consistency between their practices and the sustainable development they support.

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 proved with mathematical security. Nonetheless, some organisations have started measuring the impact of these policies and can indicate positive results. ICLEI and by the ILO (see boxes on annex I and II.) have proved results of respectively the environmental of a targeted procurement policy. The recommendations of these two organisations, which have gained an internationally recognised expertise in linking procurement of environmental or social criteria, is that to obtain a sustainable development improvement 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

A brief picture of international activities is in Annex III. In general, from the preliminary UNEP surveys 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 taken to promote the integration of environmental considerations in UN system purchasing. These efforts are not co-ordinated and are the result often of officials’ personal commitments an not of a systematic organisational policy.
- Among the Multilateral banks, the World Bank is advancing in reshaping their lending procedures in a way that includes environmentally and socially responsible procurement.
- Most of the work of the EU and OECD has been on the *environmental* aspect (“green purchasing”) but not on the social one.

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 supervisory Board. 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 are 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)³¹, 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 have an effective monitoring mechanism. The major emphasis is to achieve best value for money through a transparent procurement process. (Source IAPSO)

On top, from various informal sources UNEP gathers that there is an alarming 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 UN procures goods and services and carries out its operations.

There is nonetheless recently a clear movement of UN family organisations to include sustainable development considerations in their purchasing: for instance the UNON in Nairobi contracts and general conditions on products include now environmental clauses, the UNDP has produced in 1995 and it is updating now a green book on purchasing choices and the UNHCR has since 1997 published 3/4 guidebooks on environmental management of refugee camps and on operations in general. UNICEF and other agencies have also expressed interest in greening their policies and are looking for solutions and directions.

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 from the chapter above. Co-ordination and a strong and high level political signal would be therefore the first challenge to meet. Secondly an active involvement of the two major procurement agencies: UNOPS and IAPSO and the IAPWG are 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,

³¹ UNCSD is maintained by UNDP/IAPSO

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 real strong impact on environment and social issues.

A major challenge would therefore be 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.

In this sense the results from the Relief project carried out by ICLEI are illuminating (Table 2) and show that the focus of procurement efforts is often not directed at the major voices of spending (hence of influence in the market) or at the areas of major environmental impact.

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 isolated but increasing agencies are taking initiatives but this rests more on the goodwill of the 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 and policy.
- 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 be various and 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 in 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 business about sustainable consumption and production and of business opportunities offered by a wider offer of sustainable products and services to the UN.

7. Proposals for EMG work

We see that the EMG should 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 mostly urgent to include of 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 proposal made for sustainable procurement. For instance for the offices the risks is likely to be travel and energy use, for development assistance may be the sustainability of the materials and of the markets that the UN work influences stimulates; for UN conferencing and meetings the whole catering, travel and materials use, etc.
 4. A strategy to diffuse information and experiences to the wide UN community inclusive of sustainable development and procurement training in the professional training of staff.

The best opportunity for EMG to discuss these issues and confront itself with the UN procurement agencies and member countries is the CSD in New York, USA in April 2004 and, after that, the meeting of the IAPWG foreseen for May 2004 in Jakarta, Indonesia.

Annex I

Table 2 Source ICLEI Relief project

This table opposes the actual budget shares of some products, with the priority that green purchasing practitioners give them. The blue column shows the share of importance of product group for green procurement experts (assessed in an ICLEI Survey in 2002). The brown column gives the actual budget shares for those categories in a sample city (Stuttgart, Germany). The Table shows how green procurement priorities and budget relevance of products do not match. (contact Christoph Erdmenger - procurement@iclei-europe.org)

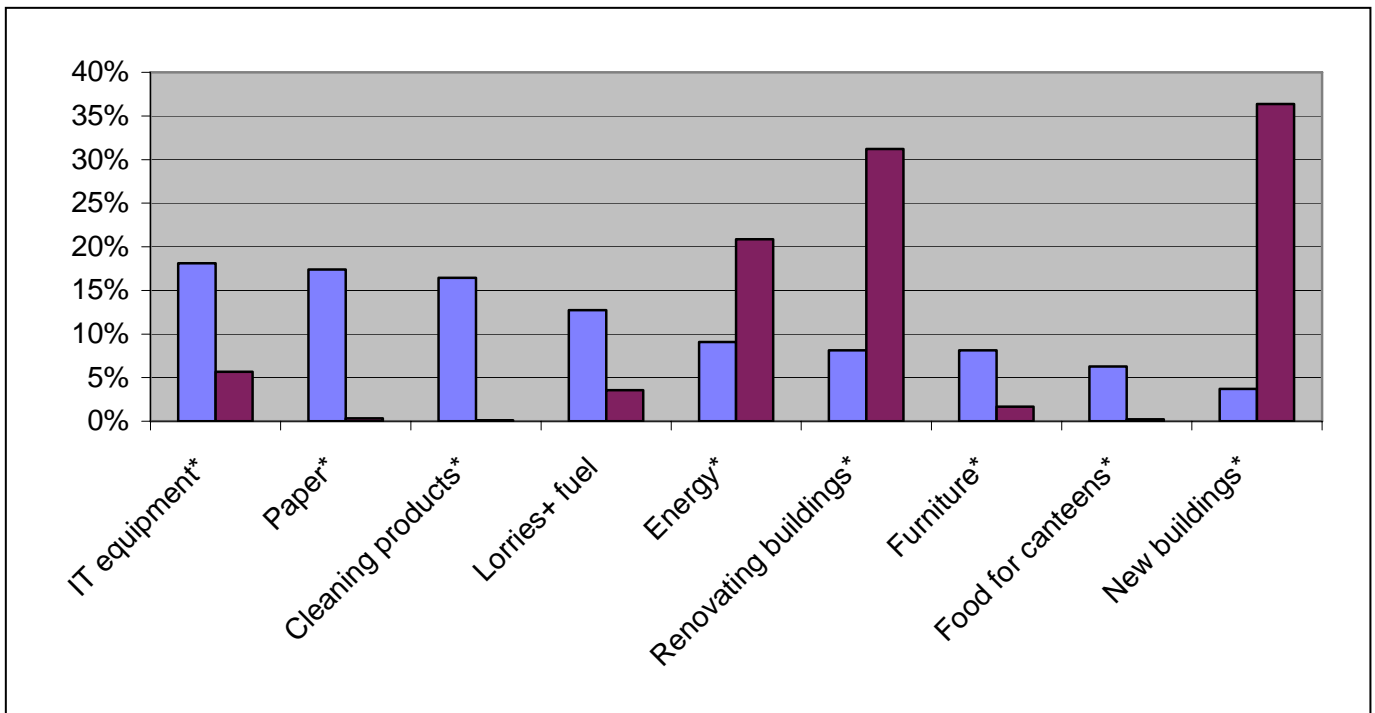


Table 3 - Source ICLEI Relief project

The Potential of Eco-Procurement in Europe - Results of recent research

The RELIEF project, co-ordinate by ICLEI and supported by the European Commission was designed to provide a scientific basis for the development of the concept of green purchasing. One focus of the project was to develop methods to calculate the theoretically achievable environmental benefits of green purchasing among European public authorities – the relief potential. The findings prove that green purchasing is not just a symbolic activity, with marginal practical effects, but can have a significant impact on a range of areas.

The results show that public Procurement can make a key contribution to achieving the European Union's environmental targets, e.g. the greenhouse gas reduction targets adopted in the Kyoto Protocol. Just by switching to green electricity, EU public administrations can save greenhouse gas emissions amounting to some 60 million tons of CO₂-equivalents - 18% of the EU Kyoto obligations, providing the market responds to the increased demand for renewable electricity by increasing capacity. More to expect from other products, e.g. building insulation (for Germany alone 1,8 Mi Person equivalent). Another focus of the research was on the spillover effects from public purchasing to the private sector and households. The increase in demand for green products would help to improve the competitiveness of suppliers on the private market, and the example set by public authorities can also assist in changing consumer behavior. Here, the research found that for some products, the spill-over effect on the whole European market, substituting traditional products with green alternatives, could be as high as 100%. One example of this comes from the field of IT equipment following the announcement by the US federal government in 1993 that only EnergyStar certified computers would be bought. Today, all computers sold around the world meet these requirements. According to the project's calculations this has already resulted in greenhouse gas reductions equivalent to around 1,000,000 inhabitants. If the next generation of energy-efficient computers were to be supported in a similar way, another 982,000 person equivalents could be avoided, in Europe alone. (contact Christoph Erdmenger - procurement@iclei-europe.org)

Annex II (to complete)



ASIST - Advisory Support, Information Services and Training Programme promotes strategies for poverty reduction that optimise employment opportunities and local resource utilisation in the provision of sustainable infrastructure and services.

What can be done?

- Infrastructure development and reconstruction by Labour based methods
- Re-specifying work methods and so as to create more jobs
- Repackaging contracts having in mind job creation rather than sophisticated technologies can create 3-5 times more jobs and foster
- local economic development
- Forex: typically 50% savings can be obtained using local companies and workers
- Costs: typically 20% cheaper
- EU/WB combined annual infrastructure development investments in Sub-
- Saharan Africa could produce 1 million jobs more than now
- Why is it not happening
- Procurement only?

Annex III

Major organisations researching and working in the field of sustainable procurement at international level:

- **EU:** the EU has worked in particular in improving legal clarity and access to environmental information. Environmental aspects are not included in the current Public Procurement Directives but in 2001, the Commission published an Interpretative Communication allowing de facto green procurement. The Commission is working on a new series of Directives on procurement which are however said to be more restrictive on green procurement than the interpretative communication. With regard to improving access to environmental information, the Commission encourages the use of eco-labels, environmental product declarations (EPDs), and environmental management systems and it is now working on a Practical Handbook for European procurers. The Commission is also developing an information database with basic information for 100 product or service groups expected for 2003.
- **OECD:** the first major research on procurement was carried out within the OECD with a study published in 1996, entitled: Greener Public Purchasing (GPP): issues and practical solutions. OECD's work has focussed on policy reviews of GPP programmes and initiatives in OECD member countries, as well as the examination of institutional factors which facilitate or hinder their success. More recent work has focused on the links between the environmental characteristics of public procurement and other aspects of public policy such as general environmental policy, public expenditure management, trade law and competition policy. A Recommendation passed by the OECD Council C(2002)3 urges governments and lists steps that governments should take to "green" procurement.
- **ICLEI:** ICLEI's works at local level and to favour information exchange among European cities on green procurement experiences:
 1. "Buy-it-Green" Network (BIG-Net) : a forum for municipalities and local authorities to address these concerns.
 2. the EU funded research project: "Environmental Relief Potential of Urban Action on Avoidance And Detoxification of Waste Streams Through Green Public Procurement" (RELIEF) aimed at proving the substantial benefit from pursuing green public purchasing.
 3. "Cities for Green Purchasing Campaign" is being pursued to realise larger scale implementation of green public procurement 9inclusive of Eco-procura biannual conferences for experiences exchange on green procurement at European Level;
 4. At international level ICLEI with UNEP's support are working on an experimental project to expand green procurement to cities in developing countries.
- **UN Interagency Group on environmentally and socially responsible procurement:** in December 2001 the multilateral development banks (MDBs), United Nations (UN) organisations, and a variety of non governmental organisations decided to work closer on the introduction of environmental and sustainable development considerations into their procurement practices and created an informal structure to:

1. to share experiences to date on sustainable procurement and receive feedback on strategies under development
2. encourage ownership of sustainable procurement by institutions' procurement departments
3. develop a plan of action for sustainable procurement

As it emerged from the interagency group meetings, generally MDBs are revising internal lending procedures (WB) and considering training on green/sustainable procurement for borrowers. UN agencies are working on internal procurement and procurement of projects and publishing guides (such as the UNEP Ozone-free procurement manual or the UNDP green office guide).

- **ITC, UNCTAD/WTO:** development of training manuals for companies and for public authorities in developing countries on green procurement (underway)
- **UNDESA/CSD:** the commission for Sustainable development organised in December 2002 and November 2003 two meetings on sustainable procurement with international agencies and governments. The meeting aimed at collecting information on sustainable procurement. CSD seems to aim at becoming a clearinghouse for sustainable procurement for governments.
- **Other single UN agencies are the object of a 20 pages survey carried out by UNEP**