

# PROCUREMENT GUIDANCE



## Sustainable Procurement

### Sustainable Procurement in World Bank Investment Project Financing

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# Common Abbreviations

This section explains the common abbreviations used in this Guidance Document

Abbreviation	Full Name
EMAS	Eco-Management and Audit Scheme
ESA	Environmental and Social Assessment
ESCP	Environmental and Social Commitment Plan
ESIA	Environmental and Social Impact Assessment
ESS1	Environmental and Social Standards 1
IISD	International Institute for Sustainable Development
IPF	Investment Project Financing
KPI	Key Performance Indicator
PPSD	Project Procurement Strategy for Development
SAVi-Tool	Sustainable Asset Valuation-i-Tool
SD	System Dynamics
SME	Small and Medium Enterprise
SP	Sustainable Procurement
SPP	Sustainable Public Procurement
SPV-Tool	Smart Procurement Valuation-Tool
ST	Systems Thinking
VfM	Value for Money



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# Section I. Introduction

This Sustainable Procurement (SP) Guidance is written for World Bank staff and Borrowers responsible for implementing World Bank Investment Project Financing (IPF). This document provides practical how-to guidance and includes references for applying SP practices, as appropriate.





## Section II. Background

The vision for Procurement financed by the Bank states: “Procurement in Investment Project Financing (IPF) supports Borrowers to achieve value for money (VfM) with integrity in delivering sustainable development.”

Supporting this, SP is an approach through which economic, environmental, and/or social factors can be more fully taken into account when determining which bid/proposal is selected for a specific requirement.

The advice and structured approach to SP contained within this Guidance is founded on the Bank’s Core Procurement Principles, primarily Fit for Purpose, VfM, Integrity, and Economy. This Guidance links to other key components of the new Procurement Framework notably, Procurement Regulations for Borrowers and refers to complementary Guidance: PPSD, VfM, and Evaluation Criteria.

Practicing SP further contributes to sustainable development. It presents a set of practical and strategic interventions to implement SP methods during the procurement process and throughout the project life cycle.

It is important to note that application of additional SP aspects, beyond those required by the Bank, in IPF operations is not mandatory for Borrowers. If agreed upon with the Bank, Borrowers may include additional sustainability aspects in the procurement process, including their own SP policy requirements to be applied in ways that are consistent with the Bank’s Core Procurement Principles.

### 2.1 Overview

This Guidance is illustrative of a complex subject and does not represent an exhaustive list of options.

Beyond legal regulations, there are many reasons to practice SP. They can be summarized with five (5) key business drivers:

1. **Financial drivers** — Reduce total operating cost by purchasing more efficient and better quality goods, works and services; minimize disposal costs of products at their end of life; and improved competitiveness; develop the market’s capacities and competitiveness, and strive for innovation; and save money on a long-term basis by applying life cycle costing.
2. **Risk management** — Engage in the mapping of economic, legal, environmental and social threats and opportunities, and develop approaches to manage them.
3. **Commitments and goals** — Serve as reflections of the organizational culture, values, and ethics in accordance with relevant policies. There may be consideration for developing SP policies that are in harmony with a country’s overall strategy; that is,

commitments should be visible within the policy (formalized or not) and the operational implementation of it. Implementation, in turn, should be ideally reflected in procurement practices.

4. **Responses to increasing stakeholder expectations** — It is important to take account of social responsibility and sustainability issues. Beyond the requirements established by the Bank in its other policies (e.g., environmental and social), these can be further enhanced by deploying SP initiatives and setting SP-rated criteria in a VfM bid evaluation process.
5. **Attractiveness** — Performance in terms of social responsibility and sustainability may impact a Borrower’s or project’s image, competitive advantages, and attractiveness for suppliers (including contractors and consultants) to bid, labor force and other financial investors. Implementing SP may thus attract other financial investors, boost labor markets, attract the best organizations to bid, and further drive development goals.

The strategy for applying SP is included within the PPSD (section 8.3.2) and typically focuses on actions that generate benefits to the procuring entity, the economy, and society while minimizing damage to the environment (reflecting the confines of the Borrower’s own procurement policy).

For example, when procuring works, the Borrower could consider:

- Strategies to avoid unnecessary consumption and manage demand;
- Minimization of environmental impacts of the goods/services over the life cycle;
- Suppliers’ socially responsible practices that comply with lawful obligations to employees; and
- VfM over the life cycle cost, rather than just the initial cost.

SP derives from the concept of sustainable development, which has been defined as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Sustainable development consists of three pillars for consideration: economic, social, and environmental (Figure 1). Through this approach, economic, environmental, and/or social factors can be fully taken into account at all stages of the procurement process when determining how to achieve optimal VfM in delivering on the Project Development Objectives.

Figure 1 – Sustainable Development Pillars

Pillar	Description	Examples
Economic	Value for Money, integrity, and economy when awarding a contract	<ul style="list-style-type: none"> <li>• Development of Small and Medium Enterprises (SMEs) and emerging markets</li> <li>• Life cycle cost assessment</li> <li>• Illegal use of patents</li> </ul>
Social	Social aspects of bidders, production, and implementation	<ul style="list-style-type: none"> <li>• Health and safety requirements</li> <li>• Human rights</li> <li>• Fair trade and competition</li> <li>• Child labor and forced labor</li> </ul>
Environmental	Environmental soundness of the goods and services to be procured	<ul style="list-style-type: none"> <li>• Greenhouse gas emission levels</li> <li>• Environmental protection</li> <li>• Pollution and waste management</li> <li>• Resource depletion</li> </ul>

## 2.2 Introducing SP during Project Preparation

Ideally, SP should be actively introduced into a project during project preparation. At this stage, sustainability requirements of the Borrower and any SP risks or opportunities highlighted previously as well as during project preparation, such as in the PPSD or the Environmental and Social Assessment (ESA), should be identified and included in the Project Appraisal Documents so they can be managed through implementation.

This Guidance focuses on how to treat SP risks and opportunities identified during project preparation and how to manage them through the appropriate stage of the procurement process during implementation of the project. Figure 2 outlines the chronological order of identifying SP requirements through delivering improved results. This Guidance has been laid out in this chronological order. To begin, determine your project's current status in the SP sequence found below and start at the appropriate stage of the Guidance.

Figure 2 – Sustainable Procurement Sequence



## Section III. Identify SP Requirements

Sustainability requirements may arise from among the following sources:

- Borrower's policies on economic, social, and environmental sustainability, such as SME development, equality requirements, health and safety requirements, vehicle emissions standards, packaging, etc.;
- Risks and opportunities identified through analysis of the market or the business and operating environment. Sustainability risks and opportunities that are to be managed through the procurement process may also be identified through the Environmental and Social Impact Assessment (ESIA). The Bank requirements for ESIA are outlined in Environmental and Social Standards 1 (ESS1); and

Where possible, the SP requirements should be evidence-based (i.e., with supporting data) and be based on existing social-label criteria, eco-label criteria (Refer to Annex I). If agreed upon with the Bank, Borrowers may introduce additional sustainability requirements into the procurement process, including their own SP policy requirements where they are applied in ways that are consistent with the Bank's Core Procurement Principles.

These requirements, such as standards on labor laws, resource efficiency, or community health and safety, are typically also identified in the ESA. Other policies of the Borrower, such as development of SMEs or emerging markets may be identified through the Country Partnership Framework (or Country Engagement Note, as applicable) and Systematic Country Diagnostic that informs each new Country Partnership Framework (or Country Engagement Note).

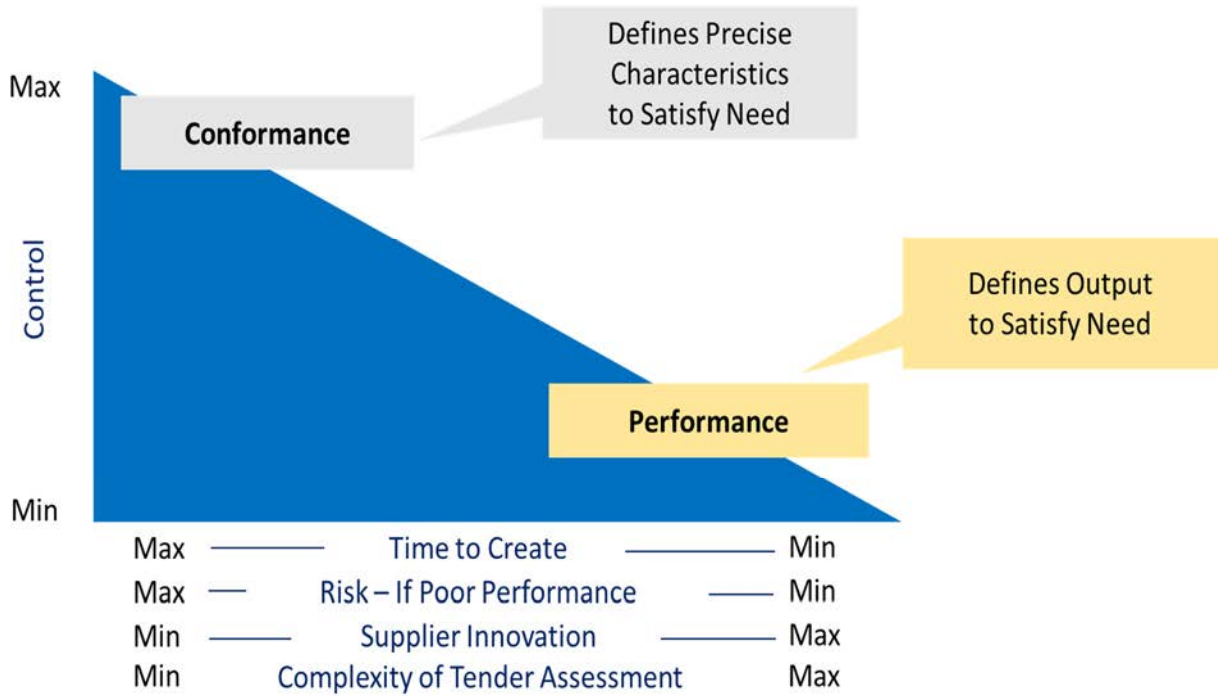
Detailed technical sustainability requirements should be addressed through either precise conformance (technical) or performance specifications. Specific requirements should set a sustainability standard that is to be met by suppliers or that allows suppliers to propose their ideas, innovations, and approaches to managing the sustainability risk.

SP requirements may specify materials to be used in production and/or the method of production, packaging, or service delivery. However, all conformance (technical) specifications should bear a link to the subject matter of the contract, and can only include those requirements that are related to the production of the goods, works, general, or consulting services being procured. The Borrower should not require production processes that are proprietary or otherwise only available to one supplier, or to suppliers in one country or region, unless such a requirement is justified to the satisfaction of the Bank (Refer Procurement Regulations for IPF Borrowers).

There are two main approaches to specify requirements. Figure 3 illustrates these approaches and how these can influence the factors described above. The two main types of specification are:

- Conformance Specifications — Sometimes known as technical, detailed, input, or design specifications; and
- Performance Specifications — Sometimes known as outcome-based specifications.

Figure 3 – Specification Types



Additional context on these specification types and writing specifications can be found in Section IV of this Guidance.

# Section III. Identify SP Risks and Opportunities

## **3.1 Risks and Opportunities Identified Through the PPSD**

A risk assessment undertaken during the preparation phase should be documented in a risk management plan (as outlined in PPSD). The risk management plan will be informed by the analysis in each of the steps of the PPSD, and should also include SP risks related to the operating environment, market conditions, implementing agency's capability, supply chains, and supplier's capability.

The Borrower ensures that SP risk assessments are relevant to the specific project. The probability and criticality of each risk should be assessed, and a risk mitigation plan should be developed and maintained during the life of the project.

Sustainability risks and opportunities identified should be managed throughout the procurement process, including procurement design, technical specifications, contractual terms and conditions, evaluation criteria, and contract management.

Therefore, strategic actions related to sustainability should be embedded in the PPSD, such as:

- Key findings about SP risks and opportunities, needs, and the supply market;
- Actions required to manage key SP risks and opportunities;
- Recommended demand-related approach (elimination, reduction, reuse, etc.);
- How the sourcing approach will deliver SP objectives;
- How SP requirements will be incorporated into the specification;
- Criteria at the pre-qualification or evaluation stage;
- The weight given to sustainability in the evaluation criteria, with careful consideration to finding the best balance with other criteria, such as price or quality;
- Expected sustainability benefits, including whole of life savings; and
- Impacts of the sustainability approach on the project plan and budget.
- Note: When the procurement process is for large works/industrial plants, the Bank's Standard Procurement Documents (SPDs) require specification criteria for labor, health/safety, etc.

## **3.2 Risks and Opportunities Identified Through the ESA**

ESS1 sets out the Borrower's responsibilities for assessing, managing, and monitoring environmental and social risks and impacts associated with each stage of a project in order to achieve environmental and social outcomes consistent with the ESSs.

The ESA will be proportionate to the risks and impacts of the project. It will inform the design of the project and be used to identify mitigation measures and actions to improve decision making.

Borrowers will manage environmental and social risks and impacts of the project throughout the project life cycle in a systematic manner, proportionate to the nature and scale of the project and the potential risks and impacts.

In assessing, developing, and implementing a project supported by IPF, the Borrower could agree with the Bank to use all or part of the Borrower's national, environmental, and social frameworks to address the risks and impacts of the project, providing such use will enable the project to achieve objectives materially consistent with the ESSs.

ESS1 includes the following annexes that set out certain requirements in more detail:

### **3.2.1 ESA Annex 1**

Contains different methods and tools to carry out the ESA and document the results. This includes mitigation measures to be implemented that will reflect the nature and scale of the project (these will also reflect national regulatory requirements, which may be relied upon by the Borrower to the extent they meet the requirements of the ESSs). As specified in ESS1, tools and methods include one or more of the following eight (8) elements:

1. Regional/Sectoral/Strategic — ESIA;
2. Environmental and Social Audit;
3. Hazard or Risk Assessment;
4. Cumulative Impact Assessment;
5. Social and Conflict Analysis;
6. Environmental and Social Management Plan;
7. Environmental and Social Management Framework; and
8. Other methods/tools — Specific features of a project may require the Borrower to utilize specialized methods and tools for assessment, such as a Resettlement Plan, Livelihood Restoration Plan, Indigenous Peoples Plan, Biodiversity Action Plan, Cultural Heritage Management Plan, and other plans as agreed upon with the Bank.

### **3.2.2 ESA Annex 2: Environmental and Social Commitment Plan (ESCP)**

The ESCP forms part of the legal agreement between the Borrower and the Bank. It is designed to consolidate, into a single document, the material measures and actions required for the project to achieve compliance with the ESSs over a specified time frame satisfactory to the Bank.



The ESCP will be developed as information on the potential risks and impacts of the project become known. It will take into account the findings of the ESA, the Bank's environmental and social due diligence, and the results of the engagement with stakeholders. Preparation of the ESCP will start as early as possible, normally prior to the pipeline stage, and will serve as a tool to facilitate the identification of potential environmental and social risks and impacts as well as mitigation measures.

### **3.2.3 ESA Annex 3: Management of Contractors**

The Borrower will ensure that all contractors engaged on the project operate in a manner consistent with the requirements of the ESSs, including the specific requirements set out in the ESCP.

Once the sustainable risk profile has been determined from one (or a combination) of the sources above, it may be managed throughout the different stages of the procurement cycle as further described in the following section.



# Section IV. Introducing SP into the Project Procurement Cycle

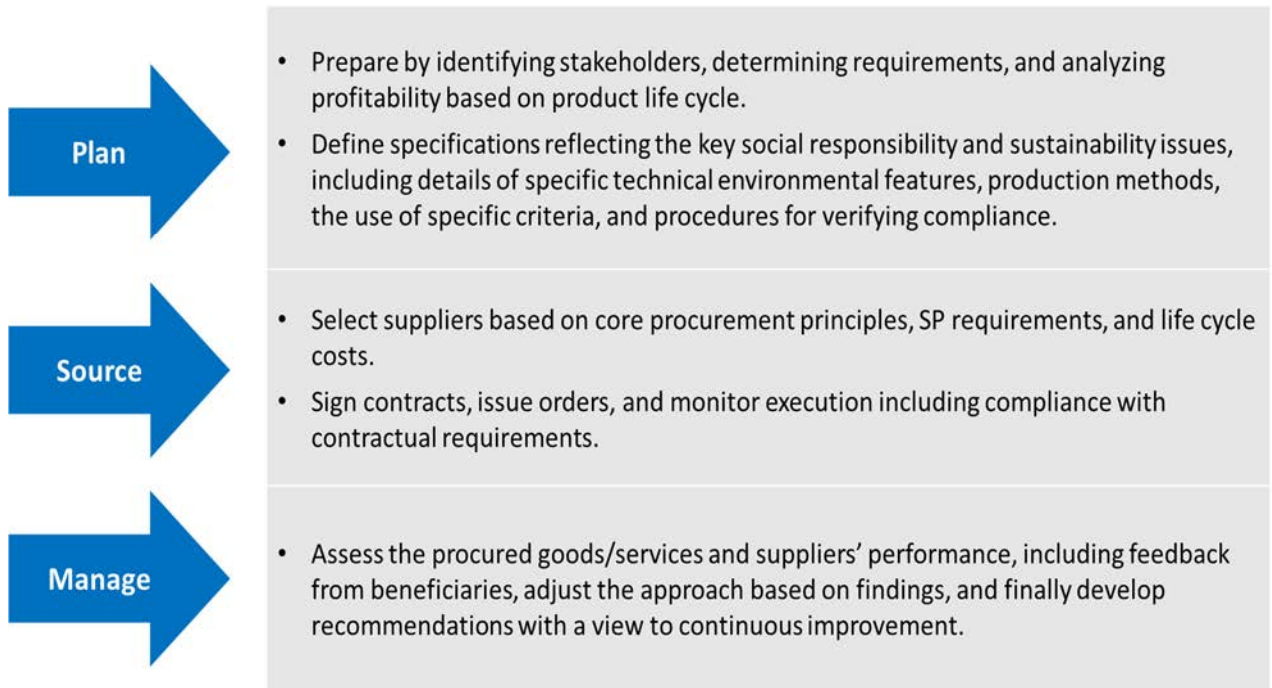
Below shows where in the procurement cycle the decision for sustainability can be applied. This Guidance focuses on the key procurement activities that impact SP:

**Figure 4 – Sustainability Decision in the Procurement Cycle**

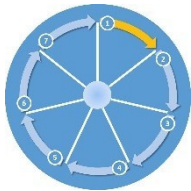


The PPSD Guidance provides detailed advice as to where and how SP could be introduced into the strategic thinking and project procurement planning process. Experience demonstrates that the application of SP practice in development projects post-planning stage significantly limits the value and likely success of SP outcomes. Hence, should the Borrower decide to include SP in their project, it must be a discrete element addressed within the PPSD. There are three phases of SP: Plan, Source, and Manage, as outlined in Figure 5.

Figure 5 – Sustainable Procurement Phases



## 4.1 Strategic Assessment



Through the PPSD, the Borrower has prioritized list of risks and opportunities that should be managed throughout the procurement cycle. The objective is to identify the significant sustainability impacts or issues that occur.

To minimize subjectivity when analysing sustainability impacts:

- Refer to previous specifications and determine what worked well and what could be improved;
- Examine the key sustainability impacts at each stage in the life cycle, from raw components to delivered products and through the process of disposal; and
- Enquire with a wide range of manufacturers, suppliers, industry experts, and end-users about new and innovative approaches — this helps balance any prejudgments made.

A prioritized approach to sustainability impacts based on importance and cost/benefit will help to identify a short list of the most important issues. The objective is to create a realistic sustainability risk profile. This profile is critical, as it will inform evaluation criteria and guide future procurement decisions.

To guide the prioritization of issues, consider the Bank’s SP objectives, as well as Borrowers’ and other leading international practices. To determine the prioritization, three (3) key elements should be analyzed through a series of questions, as outlined in Figure 6.

Figure 6 – Sustainability Decision in the Procurement Cycle

Element	Key Questions	Supporting Questions
<b>Organizational Need</b>	How important is this issue to the Borrower?	<ul style="list-style-type: none"> <li>• Are there specific targets or objectives set by the government (e.g., to reduce carbon dioxide emissions or to create new jobs)?</li> <li>• Does the Borrower or implementing agency have specific targets or objectives (e.g., to improve energy efficiency or support apprenticeships to reduce local unemployment)?</li> <li>• Do the procurement requirements lead to increased sustainability impacts and can they be changed to minimize these impacts?</li> </ul>
<b>Risks and Opportunities</b>	<p>What scope is there to improve?</p> <p>What is the balance between cost and benefit?</p>	<ul style="list-style-type: none"> <li>• From the PPSD, what are the major components in the project?</li> <li>• What are the major sustainability risks and opportunities related to the specific project/goods/services?</li> <li>• What plans can be put in place to mitigate these risks and/or seize these opportunities?</li> </ul>
<b>Market Analysis</b>	<p>Will the market be able to respond to this issue?</p> <p>Who is best placed to manage the sustainability risk or opportunity?</p>	<ul style="list-style-type: none"> <li>• What is the capability of the market to address risks/opportunities and to meet project needs?</li> <li>• Is there a need to build capabilities at existing suppliers or find new suppliers?</li> </ul>

Together, the VfM and PPSD Guidance provide detailed advice, models, and tools for identifying procurement opportunities and profiling/rating risks. To help identify the opportunity for SP, a simple table could be used to prioritize opportunities. Figure 7 contains an example where scoring is based on a three (3) point scale: 3 = high, 2 = medium, 1 = low. This example only illustrates the point. Actual priorities and scores will vary in practice.

Figure 7 – Example Prioritization Matrix

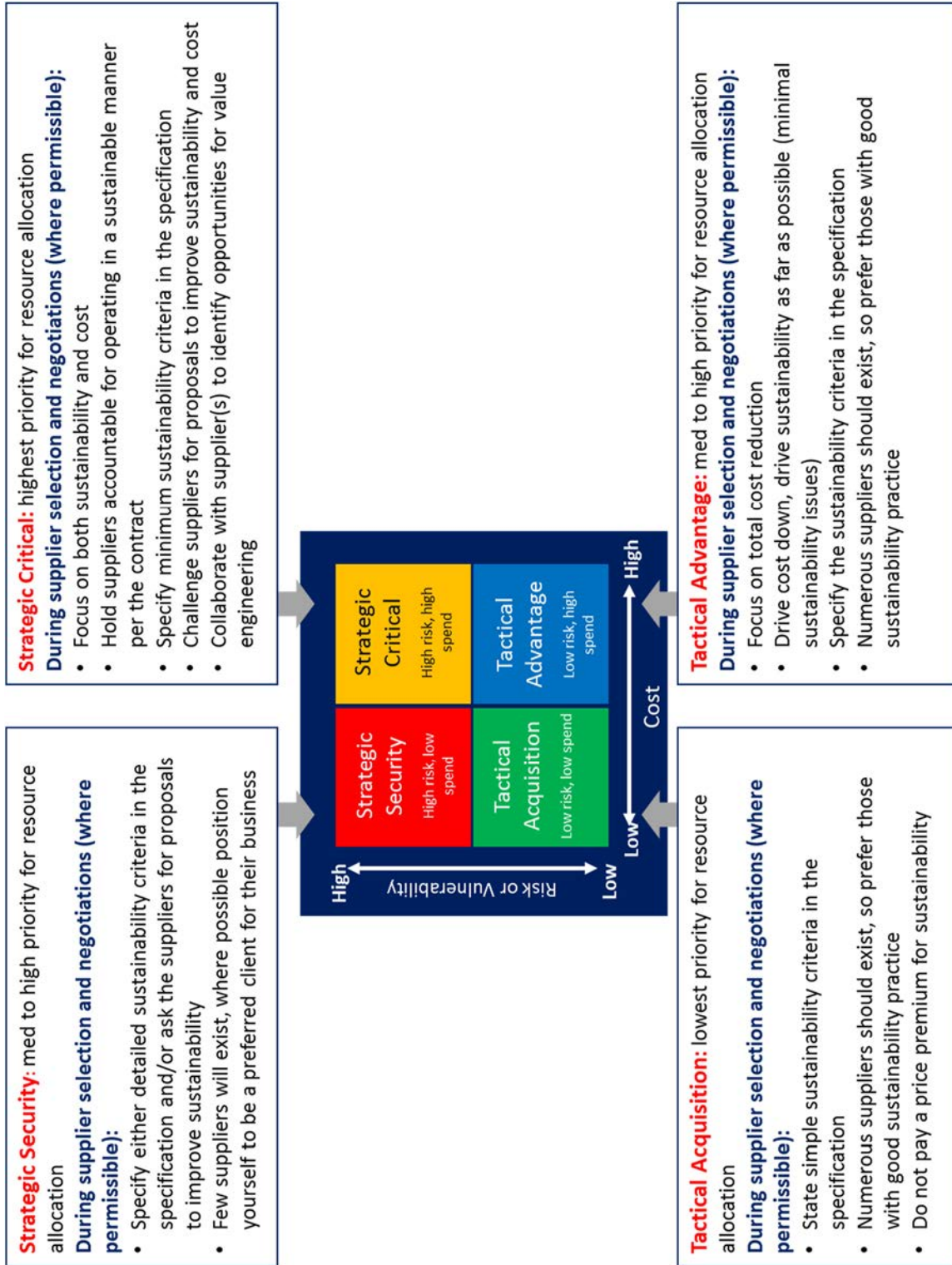
Issue	Organizational Needs	Risk and Opportunities	Market Analysis	Total Score
	Priority	Scope to Improve	Market Responsiveness	
CO <sub>2</sub> Reduction	3	3	3	9
Use of Natural Resources	2	2	2	6
Fair Pay	3	3	1	7
Economic Regeneration	3	3	1	7
Waste Minimization	2	2	1	5

In this example, the top three sustainable issues to be addressed in this procurement are:

- CO<sub>2</sub> emissions;
- Economic Regeneration; and
- Fair Pay.

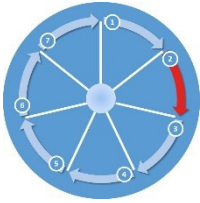
When applying the risk models and tools contained in the PPSD Guidance, Borrowers may find it useful to identify the contract category by considering the value and risk from an SP perspective (Figure 8). This will help assess how to strategically target efforts according to the SP issues raised at the earlier stages of the project. Refer to Section V of the PPSD Guidance for a more detailed explanation of procurement risk.

Figure 8 – Supplier Interest and Influence Matrix





## 4.2 Pre/Post-Qualification



Pre-Qualification is the screening of firms prior to issuing them a Request for Bid or Request for Proposal, on the basis of criteria such as experience, financial situation, and eligibility to identify qualified firms. It helps to ensure that only suppliers capable of meeting the essential requirements for delivering the goods, services, and/or works can participate in the procurement opportunity. The pre-qualification sustainability criteria applied must be directly linked to the performance of the contract and ensure it is agreed with stakeholders and made clear to the market.

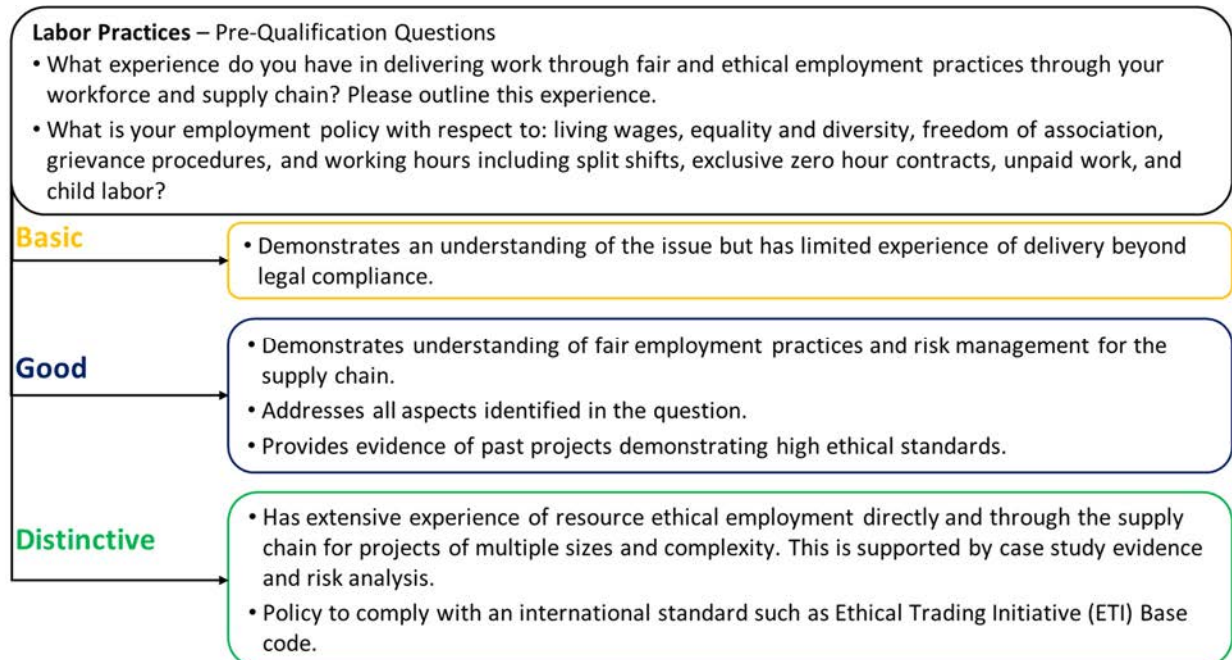
The use of specific certification or verification of an industry, environmental or social standard, code or management system standards, and codes of supplier conduct is prominent in pre-qualification. Examples include: Health and safety management (OHSAS 18001), Eco-Management and Audit Scheme (EMAS), Environmental management (ISO 14001), Human and labor rights (BSCI/SA8000), Energy management systems (ISO 50001), and compliance with International Labour Organization Standards for working conditions and human rights that may be a mandatory criterion. A Borrower may also decide to require suppliers to sign their own sustainability code of conduct or charter and include in the contract as a KPI.

Borrowers or the implementing agency may choose to use different degrees of evidence at various points across the procurement cycle. At the pre-qualification stage, it might be sufficient to request evidence of ethical trading and labor policies, or self-certification of sustainable practices. However, as the cycle progresses and potential suppliers are further deselected by the evaluation process, independent verification such as third-party auditors or specialist in-house auditors might also be used to provide further assurance.

Some pre-qualification criteria may be discretionary and can be used with other assessment criteria to inform a weighted evaluation to further short-list suppliers who comply with all mandatory criteria. For example, one supplier with a proven track record in good labor conditions may be selected ahead of a supplier with less experience in this area (See Figure 9 for an example). Refer to the Toolbox on SP, Chapter 3.4 for additional context and examples on pre-qualification.



Figure 9 – Labor Practices Questions and example Evaluation Criteria/Scoring



The Pre-qualification processes may include the use of industry supplier databases or other reliable pre-established external databases containing supplier data (such as trade bodies) that can be leveraged for evaluation.

Some trade bodies maintain their own supplier qualification database or vendor registration systems online or employ supplier risk and performance management vendors that maintain databases. Other sources include public lists of vendors of certified/labeled products, local networks, United Nations Global Network (UN-specific), UN Global Compact, or Global Reporting Initiative.

Pre-qualified supplier databases provide a pool of suppliers who have been verified as meeting stated criteria, such as standards and practices relating to:

- Technical capability (EMAS ISO14001 certification);
- Past experience (e.g. records of orders or references);
- Environmental technical competence (e.g. minimize accumulation of waste);
- Educational and professional qualifications or level of expertise; and
- Social responsibility (e.g. code of conduct).

Pre-qualified supplier databases can be an effective way of making it easier for suppliers to engage in procurement opportunities. They allow suppliers to respond to pre-qualification questionnaires one time, but allow multiple Buyers in numerous procurements to access this information.

In order to be pre-qualified (either for a database or a particular procurement opportunity), suppliers must demonstrate specified capabilities, experience, and/or standards. Sustainability requirements may form part of this process.

Pre-qualification criteria are generally based on verifiable standards and technical competencies. Suppliers typically are asked to answer a series of pass/fail questions. A “fail” on any single question usually discounts the supplier. In some situations, however, the Borrower may include criteria where it retains discretion in deciding to exclude a bidder. Verification of a supplier’s compliance with sustainability standards is the relevant certifying authority’s responsibility, e.g. ISO. The Borrower should perform due-diligence / obtain confirmation from the certifying body (e.g. ISO). Figure 10 outlines an example of technical capability criteria.

**Figure 10 – Pre-Qualification Criteria Example**

Category	Verification
<p>Technical capability of the bidder</p> <p>The bidder must provide verification of sufficient experience in sustainable facility planning.</p>	<p>The bidder must submit a comprehensive dossier illustrating their experience with traceable references in the following fields (list of examples):</p> <ul style="list-style-type: none"> <li>• Use of building materials produced in a socially responsible manner (e.g., natural stone).</li> <li>• Environmental requirements: e.g. energy-efficient construction in accordance with national legislation on the total energy efficiency of buildings; bioclimatic architecture in order to achieve energy efficiency (e.g., using day lighting systems, bionics, etc.); and reduction of CO<sub>2</sub> emissions both in the construction as well as in the utilization and disposal phases.</li> </ul>

Where a supplier is deselected because of a pre-qualification process, consistent with the Bank’s Procurement Regulations for Borrowers, it is good practice to offer a debriefing opportunity to the supplier.

### **4.2.1 Sustainability**

Technical capability will likely be a key determining factor in the ability to meet social and environmental requirements. The procurer could, for example, require appropriate qualifications to ensure that the necessary health and safety measures are implemented. In accordance with the principle of proportionality, the sustainability criteria must be directly linked to the performance of the contract, i.e., in the bidder pre-qualification phase certifications or equivalent verification of industry specific environmental or social standards, codes of supplier conduct or a certain management system can be required (e.g., OHSAS 18001, EMAS, ISO 14001, BSCI/SA8000, ISO 50001). This type of independent certification

can therefore be an important verification of the necessary technical and professional qualification of a supplier.

Consideration, however, should also be made for the scope of coverage along the supply chain. This should be informed by the industry sector and sustainable risk profile of the project. Figure 11 contains sample questions the Borrower can consider to validate these types of considerations.

**Figure 11 – Example Questions to Verify Social and Environmental Sustainability**

Question	Verification
Is the supplier a member of a multi-stakeholder initiative (e.g. ETI) or in an independent monitoring organization (e.g., Social Accountability International corporate program)?	Verification of membership
Is an independent, up-to-date (not older than two years) audit of working conditions in the supply chain available?	Audit report
Does the manufacturer carry out an internal audit of working conditions in the supply chain?	Audit report
Is a code of conduct including ILO core working standards available in the supply chain?	Code of conduct
Is the supply chain shown as transparent by the manufacturer?	Description of the supply chain

### 4.3 Specify Requirements



To address potential impacts, defining specifications based on the SP risk and opportunity profile identified in the PPSD is the most effective way to ensure sustainable aspects are incorporated into the procurement decision. If the market for eco-friendly and/or socially responsible products and services are not yet mature, or if there is only limited availability for certain requirements, it would be appropriate to include sustainability criteria in the evaluation criteria and not in the specifications.

When writing specifications, consult the PPSD Section 8.1 and Annex II and the Toolbox on SP, Chapter 3.3.2. The following should also be noted:

- Specifications need to be compliant with local laws and regulations;
- Ensure market readiness for any sustainability criteria (i.e. market analysis and supplier consultation) to improve receipt of compliant bids; and
- All specifications should be transparently and effectively communicated to potential suppliers.

- See also the World Bank Procurement Regulations for IPF Borrowers.

### 4.3.1 Defining Requirements and Inviting Bids

When determining sustainability criteria, there are some options for integrating SP in the specifications or requirements. Different types of specifications encourage different levels of innovation from the supplier, and Borrowers must consider which is most appropriate for the specific procurement need of the project.

The Bank Procurement Regulations for IPF Borrowers state: “The sustainable procurement requirements should be based on evidence (i.e. with supporting data), and on existing social-label criteria, eco-label criteria, or information collected from stakeholders in industry, civil society, and international development agencies.” Refer to Procurement Regulations for IPF Borrowers, Annex VII Sustainable Procurement.

The procurement approach to be taken by Borrowers also guides the specification approach. Request for Bid would typically use conformance specifications, whereas Request for Proposal would typically take a performance or outcome-focused approach. A description of each is as follows (with samples in Figure 12):

- Conformance (Technical) — Specify a physical characteristic of the product (attribute), e.g., recycled content, or the way in which the product is manufactured or delivered (process), e.g., sustainably managed timber; and
- Performance (Outcomes) — Define the proposed function to be fulfilled by the product required, e.g., the strength and durability of concrete to be supplied or energy/fuel efficiency.

Figure 12 – Sample Conformance and Performance Specification Approaches

Specification Approach	Examples of Impact Criteria Linked to Sustainability Objectives		
	Climate Change Mitigation	Waste Reduction	Social Risk/Benefit
<b>Conformance</b>	Energy efficiency standards for goods (e.g., Energy Star or equivalent). Standards for embedded energy impacts in manufacture or service provision/ construction.	Re-usable or recyclable product. Waste targets in manufacturing process or “take back” arrangement at end of life.	Product for disposal for some social gain (e.g., use by CSR program). Materials not harmful to health in manufacturing (e.g., PVC) or from sources causing social damage.
<b>Performance</b>	Energy targets for service contracts (e.g., facilities management).	Waste targets for projects (e.g., construction).	Labor requirements for services (e.g., apprenticeships).

Specifications can be either of the following (with examples in Figure 13):

- Compulsory — Specifications that establish minimum acceptable performance, actively excluding undesirable features; and
- Optional — Specifications that define preferred sustainability solutions. They should be related to evaluation criteria that will be used to reward performance that exceeds the minimum standards, and possibly to a Key Performance Indicator (KPI) to measure and manage during the contract.

**Figure 13 – Examples of Compulsory and Optional Specifications**

Requirements	Vehicles	Construction Works	Wood Products
Compulsory Specifications	Minimum standard* <100 g CO <sub>2</sub> /km.	Minimum standard 5% of working hours to socially disadvantaged people.	Minimum standard 100% recycled or FSC/PEFC labeled or equivalent.
Optional Specifications and Evaluation Criteria	One point awarded for every 10 g below threshold.	Best offer gets 10/10, 5% only gets 0/10.	10/10 if 100% eco-label that guarantees additional environmental benefits throughout the life cycle.

\*Minimum criteria may also include standards set by the government (i.e., regulation).

Figure 14 outlines key considerations to take when writing specifications (i.e., what specifications should and should not do (not an exhaustive list)).



Figure 14 – Key Considerations When Writing Specifications

Specifications Should	Specifications Should Not
<ul style="list-style-type: none"> <li>• Address the need and targeted outcome</li> <li>• Be based on fit for purpose approach</li> <li>• Address the sustainability risks identified in the risk assessment</li> <li>• Identify key deliverables</li> <li>• Clearly state real requirements</li> <li>• Consider future needs (i.e., will the same be required soon, maintenance, etc.)</li> <li>• Use plain and simple language</li> <li>• Ensure technical accuracy</li> <li>• Contain clear time-scales/program</li> <li>• Set performance criteria</li> <li>• Use appropriate international standards where they exist</li> <li>• Reflect life cycle costs</li> <li>• Try to encourage bids from SMEs</li> <li>• Support the diversity/equal opportunities agenda</li> <li>• Include health and safety considerations</li> <li>• Provide flexibility for subsequent requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Exclude areas of risk that are best addressed in the specification</li> <li>• Use trade names</li> <li>• Specify particular brands (e.g., Toyota, Landcruiser) unless it is unavoidable and accepted by the law</li> <li>• Exclude any site implications</li> <li>• Breach copyright</li> <li>• Use needless jargon or acronyms</li> <li>• Discriminate on the basis of nation/state e.g., local companies only</li> <li>• Be ambiguous</li> <li>• Be biased toward any particular supplier</li> <li>• Exclude any relevant sustainability criteria</li> </ul>

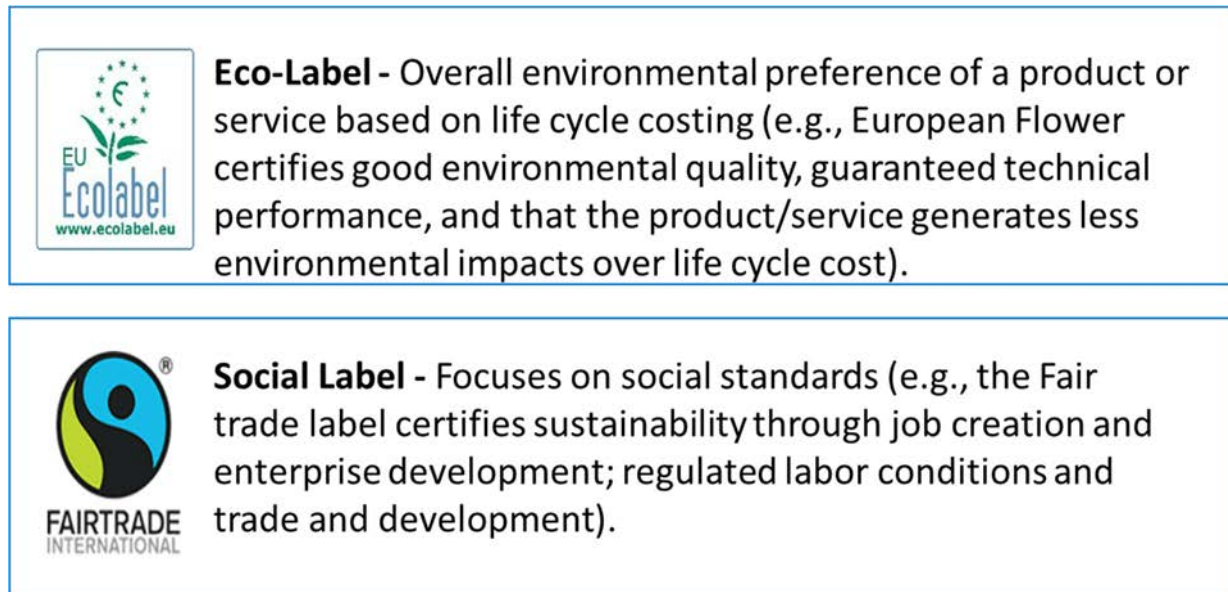
### 4.3.2 Using Eco-/Social Label Criteria and Information Collected from Stakeholders

Standard certificates and labels are valuable tools for implementing SP. They could help Borrowers overcome some of the main difficulties they face when trying to sensibly assure social or environmental sustainability.

World Bank Procurement Regulations permit the use of “Internationally recognized certification or accreditation schemes [that] demonstrate [a] firm’s ability to apply environmental management measures. Such schemes may include ISO 14001 or other systems, that conform to the relevant international standards on certification and environmental management may be recognized. Firms may also be able to demonstrate that they apply equivalent sustainable management measures, even without certification.” Refer to Procurement Regulations for Borrowers, Annex VII, 2.6.

Figure 15 overleaf outlines two examples.

Figure 15 – Eco-/Social Label Examples



When applied appropriately, labels could be useful in preparing conformance specifications and award criteria. Borrowers may:

- Use criteria from labels to draft conformance specifications;
- Verify compliance through labels or their equivalent;
- Benchmark offers at the award stage; and
- Use single issue labels for a progressive approach.

Though not as numerous as eco-labels, some social labels are beginning to emerge in a number of market sectors. Social labels can cover different types of socioeconomic issues, such as human rights, workers' rights, a ban on child labor, payment of a fair price to developing country producers, etc. Some labels also incorporate both environmental and social aspects. As is the case with certain eco-labels, some social labels focus on a single issue (e.g. GoodWeave, dedicated to ending illegal child labor, or the Forest Stewardship Council for sustainable forestry), while others have a wider focus.

When writing conformance specifications, Borrowers have to make sure that the specifications related to the social performance of the suppliers are relevant to what is being procured. Figure 16 outlines ISO 14020 conformance specifications for consideration.

Figure 16 – ISO 14020 Series of Environmental Standards Classification

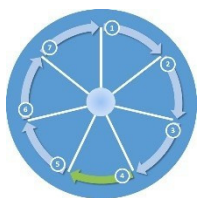
Standard	Description	Application
Type I, ISO 14024	Eco-Labels	Voluntary, multiple criteria based, third party verified, and based on life cycle considerations.
Type II, ISO 14021	Green Claims	Declarations firms make about their product or service. These types of eco-labels are not independently verified.
Type III, ISO 14025	Environmental Impact Labels	Product information shared through a list of parameters; no evaluation, just data.
“Type I-like”	Focus on Single Issues	Energy consumption, sustainable forestry, etc.

For a complete list of active labels and certification schemes available worldwide, refer to:

- Ecolabel Index — <http://www.ecolabelindex.com/>
- Global Ecolabelling Network (GEN) — <http://www.globalecolabelling.net/eco/eco-friendly-products-by-category/>
- EU GPP Criteria — [http://ec.europa.eu/environment/gpp/eu\\_gpp\\_criteria\\_en.htm](http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm)
- Standards Map — <http://www.standardsmap.org/>
- International Finance Corporation/WB Performance standards — [http://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards](http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards)

For additional references and worldwide examples of some of the eco-/social labels in relation to World Bank projects, refer to Annex I.

#### **4.4 Design Procurement Arrangements and Evaluation**



Bidder evaluation criteria should be considered before making contact with suppliers about a particular contract. The best time to consider bid evaluation criteria is during the initial risk assessment in the project preparation phase and to finalize it once the risk assessment is complete. Bidder evaluation criteria should definitely be developed before the bidding document is finalized, as they will need to be outlined to bidders in the bidding document.

This helps to ensure that bid evaluation criteria are linked to information requested in the bidding process that ties to/addresses the identified sustainability risks.



### 4.4.1 Evaluating Suppliers

Criteria can be assessed in several ways, including:

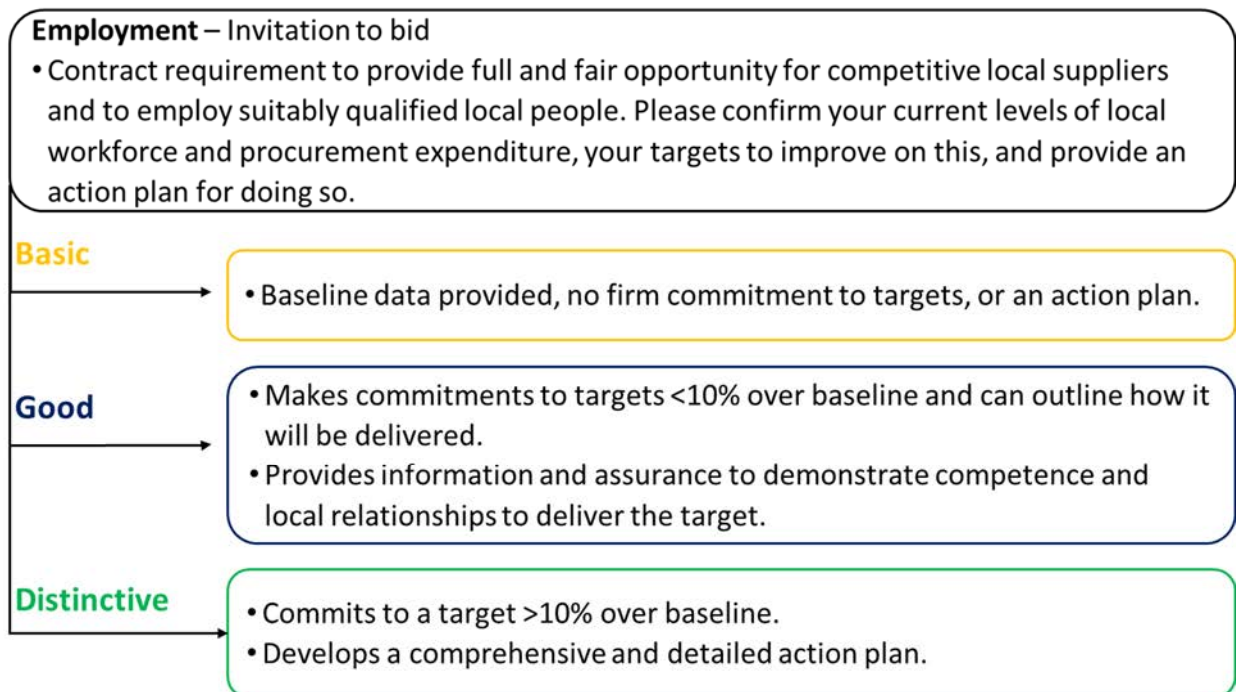
- Qualifying criteria — setting minimum requirements or performance standards that must be met (pass/fail or yes/no criteria);
- Rated criteria and use of weightings;
- Monetizing impacts where possible, such as energy consumption and waste;
- Life cycle cost assessment; and
- Whole of life (a full expression of the three pillars including life cycle cost (i.e. this would include items such as CO<sub>2</sub> emissions).

For additional details on evaluation criteria, see the Guidance entitled “Evaluation criteria – How to use evaluation criteria to achieve value for money.”

### 4.4.2 Evaluating Bids Based on Rated Criteria

The supplier with the best SP submission may not always win a bid competition if they are not competitive in other areas. It may be appropriate to award a contract conditional upon achieving a minimum standard over a specified time. In the example below (Figure 17), the contract may be awarded on the condition that the supplier achieves a “Good” standard after a period of time. (Refer to Guidance on [www.worldbank.org/procurement](http://www.worldbank.org/procurement))

Figure 17 – Example Invitation to Bid Criteria and Sample Scoring



### **4.4.3 Scoring Non-Cost Rated Sustainability Criteria**

The bid responses should be evaluated in line with the pre-advised rated criteria and evaluation method. The specification should detail SP elements in as much detail as possible. However, there are also other ways to promote sustainable outcomes at the evaluation stage.

The first and most common method consists of rewarding superior standards and performance, which is presented in the Specifications section.

Secondly, rated assessments can be used in some specific contexts. Suppliers, especially in service industries, may be requested to summarize within their bid response their experience and method to deliver sustainability criteria. This enables Borrowers to assess their approach to manage major sustainability risks and/or opportunities identified during the planning stage.

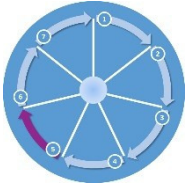
Thirdly, Fit for Purpose assessments enable Borrowers to identify and properly evaluate products that might not be sufficiently robust, leading to higher repair and replacement costs. Other proposals might be over-engineered, providing unwanted functionality or service at added expense. Neither extreme provides a SP solution and this should be reflected in the evaluation. Eco-labels, Environmental Product Declarations, and other product standards can help to evaluate the sustainability credentials of a product. Alternatively, evidence based on trials or other client references can also help to evaluate this important aspect.

Finally, life cycle cost or whole of life assessments are useful approaches. These techniques consists of assessing sustainability impacts associated with key stages of a product's life cycle, for instance: raw material extraction, materials processing, manufacturing, distribution, use, repair and maintenance, disposal or recycling, and environmental impacts such as CO<sub>2</sub> emissions. Even though the technique is mostly used to assess environmental impacts, the same approach can be applied to all sustainability issues.

### **4.4.4 Life Cycle Cost Tools**

- Life Cycle Cost and green public procurement — <http://ec.europa.eu/environment/gpp/lcc.htm>
- Swedish Tool — <http://www.kkv.se/upphandling/hallbarupphandling/stall-hallbarhetskrav/Livscykelkostnader-LCC/>
- Danish Tool — <http://mst.dk/virksomhed-myndighed/groenstrategi/groenne-indkoeb/totalomkostninger/>
- SMART SPP Tool — <http://www.smart-spp.eu>
- ISO 15686-5 on Buildings and constructed assets — Service-life planning – Part 5: Life-cycle costing
- *Refer to Toolbox on SP, Chapter 3.5 for additional detail on life cycle costing and additional tools as well as other evaluation methods and criteria.*

## 4.5 Issue SPDs and Select Supplier

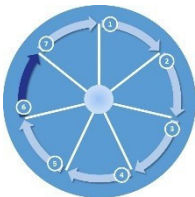


At this stage, the purpose is to gather enough information about the selected suppliers' capability and commitment to comply with the requirement to make a final selection. Suppliers may be invited to attend a pre-bid meeting to outline the bid process and ensure ongoing communication, depending on the scale, market, and complexity of the purchase. This is a further opportunity to ensure suppliers fully understand the business opportunity and the commercial and sustainable business expectations. Borrowers should maximize this opportunity to promote competition and proactively influence suppliers.

Transparency and accountability are key to the bidding stage. All bid evaluation criteria, scoring methodology, and benefits assessment need to be finalized in advance and included in the procurement documents issued to potential providers. The criteria, methodology and benefits assessment need to be specified and clearly described. Pre-bid meetings may be used to assist bidders in fully comprehending the importance of all aspects of the project, including the SP requirements.

Borrowers should also be clear on how far down the supply chain they need to go when assessing impacts. This depends on the Borrower's policy position, risk, and resources available.

## 4.6 Negotiate, Award Contract, and Set KPIs



In international competitive procurement subject to prior review, the Bank may agree to the Borrower's use of negotiations following Bid/Proposal evaluations and before final contract award. Refer to Procurement Regulations for Borrowers, Section VI, Negotiations.

Sustainability elements should be included in the preparation of a negotiation meeting and/or a negotiation strategy, and represent sustainability interests during important negotiation meetings (e.g., Corporate Social Responsibility (CSR), Health and Safety, Environment representatives).

Key outcomes of the negotiation can include the following:

- Sustainability specifications have been secured or enhanced;
- Agreement has been made to take actions to manage risks identified in the earlier pre-qualification or bid evaluation stage; and/or
- Proactive influence on the supplier's future sustainability agenda has been achieved.

Sustainability commitments should be written into the final contract to ensure that the supplier is contractually bound to deliver them or improve their performance over time. If it is not possible to negotiate contractual commitments, a more informal and flexible approach might be required to persuade bidders to embrace sustainability initiatives. These initiatives may not be contractually binding and are usually captured in a separate supplier improvement plan or a memorandum of understanding. Example initiatives include commitments to switch

to (or increase the use of) sustainably managed wood products, reduce or eliminate the use of hazardous chemicals, increase the use of local SMEs, or help ensure improved working conditions further down the supply chain. Borrowers might consider this to be an opportunity for Value Engineering, either pre-bid and/or through the proposal/bid process (refer to Procurement Regulations for Borrowers, Section V).

Unsuccessful bidders should be notified and fully debriefed. Bidders should be informed if and how their sustainability credentials fell short of the requirement. This in turn reinforces the importance of sustainable business practices within the supply market.

KPIs are used to measure the performance of suppliers. Targets and related KPIs can cover the whole spectrum of sustainable impacts and depend on the priorities set in the PPSD. They can be further refined during the selection stage: from raw materials sourcing, labor standards across the supply chain, local sourcing and training, through production, use, and end-of-life management.

Targets and KPIs should be aligned with the Borrower’s broader goals and objectives, and the objectives of the SP approach. Table 18 shows an example of outcome indicators for a project in the construction sector.

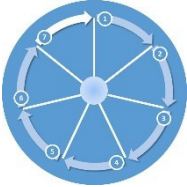
**Figure 18 – Example Construction Outcome Indicators**

<b>Headline Objective - To deliver social and economic benefits for the regions affected by the project</b>	
<b>Goals</b>	<b>Measures</b>
<p>By December 20XX, the project will achieve these goals annually:</p> <ul style="list-style-type: none"> <li>• Twenty percent (20%) of the total supply chain expenditure will be sourced from businesses operating within local vicinity</li> <li>• Six percent (6%) of the supply chain workforce on sites will be apprentices or trainees</li> </ul>	<ul style="list-style-type: none"> <li>• How to measure success                             <ul style="list-style-type: none"> <li>• Report for the project</li> <li>• Percent of expenditures in a region</li> <li>• Percent of local workforce</li> <li>• Percent of workforce apprentices or trainees</li> </ul> </li> <li>• All new projects will report:                             <ul style="list-style-type: none"> <li>• Expenditure with local business</li> <li>• Person days on site for local residents</li> <li>• Person days on site for apprentices/trainees</li> </ul> </li> </ul>

The Borrower may want to incorporate performance incentives that are tied to the KPIs. This can help incentivize suppliers to meet or exceed expectations or dis-incentivize suppliers from not meeting sustainability requirements. Some incentives to perform sustainably could include:

- Supplier bonuses could be paid for achieving targets, and charges/debits for nonperformance;
- Fixed price contracts could be agreed upon (in this case, reducing waste or improving efficiency could improve a supplier's profit margins); and
- Gain share agreements could be put in place (i.e., the customer and the supplier split any gains from improvements in sustainable supply arrangements).

## **4.7 Manage Contract, Relationships, and Review KPIs**



It is at the contract management stage that desired sustainability outcomes will be delivered. Thus, it is essential that contract award is not seen as the end of the SP process, but the beginning of a process that actually delivers the anticipated results.

### **4.7.1 Manage Contract and Relationships**

Efficient and effective data collection is critical. Data should be collected at the appropriate tier in the supply chain and aggregated to an agency, product, or project level. In setting up a system of outcome indicators, the following issues should be taken into consideration:

- Online tools can enable efficient collection and aggregation of performance data;
- The supply chain should only be asked to provide data on impacts detailed in the PPSD;
- Avoid collecting unnecessary data that will not be used in a meaningful way. Failure to do this will add cost for no benefit. Generic questionnaires are an example of this and should be considered only if the information is to be used to inform procurement decisions; and
- Use of existing data collected for other purposes to prevent duplication. In the example previous (Figure 18), it is necessary to collect information about people working on site for health and safety purposes. The same information can be used to provide data about employment.

### **Macroeconomic Indicators**

These are not typically used at the supply chain level, however, some Borrowers might use such indicators to inform overall strategy. An example would be social return on investment, which may, in turn, impact objectives for the supply chain and the criteria for making procurement decisions.

### **Reporting**

It is important to report SP performance openly and transparently. This can be part of the organization's annual report, a separate CSR report, or part of a more formal reporting process with independent assurance. When doing so, the procurement team needs to make sure that

aggregated data is presented in a way that is meaningful for management and publication purposes.

#### **4.7.2 Review KPIs, Audit, and Improve Supplier Performance**

Although managing the contract is key to successful outcomes, it is also important to manage the supplier relationship.

The quality of the supplier relationship can be strengthened and enhanced through a combination of practices, these include:

- Full compliance with legal requirements in terms of the client-supplier relationship;
- Balanced clauses, fair conditions (e.g. guarantees, deadlines) and penalties in contracts;
- Procedures (e.g. base-contracts, protection of intellectual property) and conditions (e.g., prompt payments) generating a better health for all supply chain stakeholders;
- Control and improve payment performance, in respect of contractual terms and legal requirements;
- Avoidance of conflicts through dialog and efficiency in dispute resolution; and
- Particular attention paid to the different categories of suppliers: strategic, SMEs, fragile suppliers, etc.

The Contract Management Plan may be finalized and jointly agreed to include performance targets and measures. Linking sustainable targets with the Contract Management Plan assists in maintaining focus and momentum for sustainability.

The contract manager and supplier should revisit the established SP risk profile, throughout the planning and selection stages. By doing so, supplier buy-in, alignment, and continued focus on key SP risks and opportunities can be maintained.

Ongoing performance monitoring is necessary for the duration of the contract to ensure that the supplier continues to deliver in accordance with the specification, contract terms, and/or separate action plans.

Review meetings should be set at agreed intervals, and for key suppliers, these should be held face-to-face. These meetings should provide an opportunity for both parties to communicate, share concerns, promote understanding, and foster a good business relationship.

It is good practice to carry out periodic audits of suppliers throughout the life of the contract, especially for important and complex contracts, to verify that sustainability claims and work practices meet stated requirements.

In some cases, the market may not be capable of delivering new or challenging sustainability standards. In this case, supply chain development programs may be necessary to improve competence and capacity.



Some goods, equipment and infrastructure require disposal strategies to be developed for the end of their useful life. At this point, disposal options should be reviewed and assessed with the aim of minimizing environmental impacts, maximizing recycling and reuse and determining all opportunities to minimize landfill and pollution. Unethical disposal can have significant remediation costs and damage reputation.

Disposal requirements should be factored in throughout the design and procurement stages, and the operational phases of product/service life. This would include ensuring consideration of disassembly and reuse at the design stage, optimal selection of components and materials in the specification to maximize recycling opportunities, and recovery of subsystems and resources while minimizing the use of hazardous materials that could be dangerous and costly to dispose of.

Contract review and lessons learned make up the last step. However, it is important to ensure that debriefings occur not just at the end of a contract but that lessons learned by all parties involved are shared throughout the duration of the contract for continuous improvement.

At the end of the contract it may be useful to develop a debriefing document to feed into the next PPSD, should this procurement be repeated in the future. The document should contain, at a minimum:

- Priority sustainability risks and opportunities, objectives, and targets;
- Overview of performance;
- Analysis of key success criteria; and
- Key lessons learned for future contracts.

It is encouraged that lessons learned by both the Bank and Borrower be shared with each other. By sharing experiences, Bank staff and Borrower's will have a valuable opportunity to learn from successful and unsuccessful experiences in delivering SP outcomes.

## **4.8 Conclusion**

The World Bank has determined that the application of SP is non-mandatory in IPF projects, recognizing that countries continue to evolve national and regional level policy settings that impact their ability to credibly apply SP and achieve the desired outcomes. With that said, the Bank encourages its clients to actively consider and apply SP whenever the opportunity arises. This SP Guidance has been prepared to assist our clients by making it easier to consider and apply SP practice in public sector procurement activity.

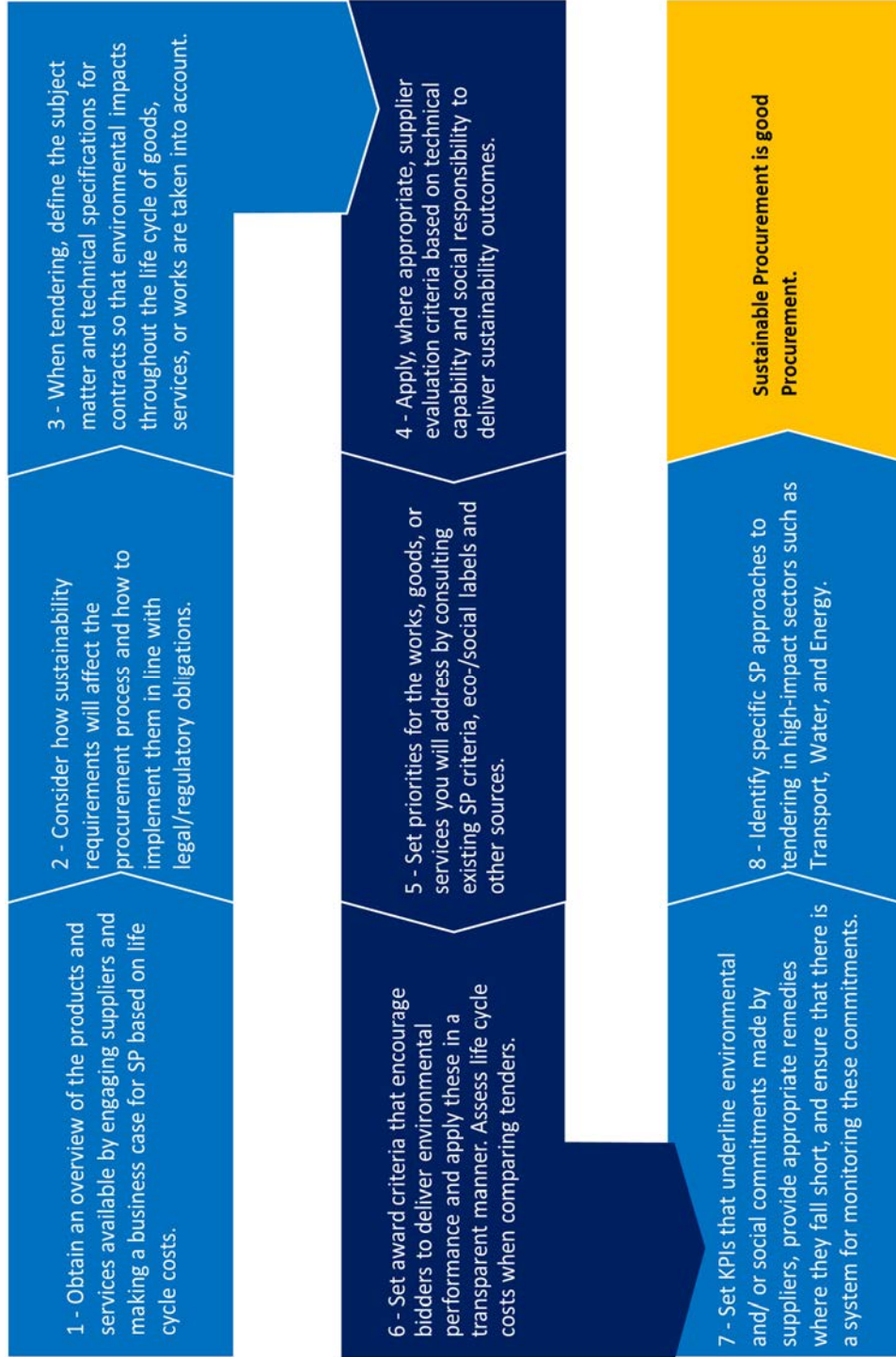
In conclusion, it is said that SP is "smart" Procurement, as it takes a three-dimensional life cycle approach versus the traditional one-dimensional, economics-focused approach. Three-dimensional thinking (Economic, Social, and Environmental) does not mean it takes three times longer, nor is the outcome necessarily more expensive. In fact, it could be argued that SP is strategic procurement practice at its optimum. It is advisable to familiarize yourself with the scope and potential of SP, including the resources available. This will enable you and your

agency to identify and make the most of opportunities for sustainable business practice as they arise.

The top tips overleaf (Figure 19) summarize the basic steps to SP, with consideration at each step of the project cycle.

**Figure 19 – Basic Sustainable Procurement Steps in the Project Cycle**







## Section V. Other Reference Documents

To ensure that the implementation of sustainability requirements in the procurement process are compliant with the World Bank Procurement Policy, refer to the Procurement Regulations for Borrowers, specifically:

### **5.1 Section IV and Annex V on PPSD**

Outlines how to develop the PPSD as required by the Procurement Regulations. It is the procurement strategy at the project level that describes how procurement in IPF operations will support the development objectives of the project and deliver Fit for Purpose and VfM. Under the Procurement Approach (determined in the PPSD), the Borrower shall include (among other) quality requirements, that may contain SP requirements.

### **5.2 Section V (5.12) and Annex VII on SP**

Defines the World Bank requirements for the Borrower, when the Borrower decides they would like to include SP requirements into the procurement process.

### **5.3 Section V (5.50) and Annex X on Evaluation Criteria**

Describes the principles of bid/proposal evaluation criteria that may require SP technical competences to be demonstrated. This may require that the bidder:

- Has previous experience in successfully executing contracts with similar requirements;
- Employs/Has access to personnel with the required educational and professional qualifications, practices, and experience to deal with SP elements of the contract;
- Owns/Can access necessary technical equipment for environmental protection; and
- Is able to deliver on the SP aspects of the contract.

### **5.4 Annex I on VfM**

Describes the requirements to achieve VfM in the evaluation of Bids/Proposals in IPF operations.

There are also many good international toolkits on SPP, as follows:

### **5.5 KfW: Toolbox on SP**

Published in 2014 in English, French, and Spanish by the KfW Group on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), this toolbox focuses on

the water, waste water/waste management, (renewable) energy sectors, as well as transport and communications. The methods and concepts presented can equally be applied to other sectors. The Toolbox is available at: [www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Publications-Videos/Publications-by-topic/Environment-and-sustainability/index.html#2](http://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Publications-Videos/Publications-by-topic/Environment-and-sustainability/index.html#2)

## **5.6 SPV-Tool and SAVi-Tool**

Monetizing environmental, social, and economic gains of sustainable public procurement (SPP) is a key step towards effective and efficient public spending. The MAVA Foundation and the International Institute for Sustainable Development (IISD) have developed valuation tools to provide this evidence. See Annex II. Contact: [www.iisd.org](http://www.iisd.org).

## Annex I. Labels and Certification Schemes

For a list of active labels and certification schemes available worldwide, refer to:

Reference	Description
<b>Eco-Label Index</b>	A global directory of Eco-Labels available worldwide.
<b>Global Eco-Labeling Network (GEN)</b>	The GEN is a non-profit association of third-party, environmental performance recognition, certification, and labelling organizations founded to improve, promote, and develop the "Eco-Labeling" of products and services.
<b>EU GPP Criteria</b>	The EU GPP criteria are developed to facilitate the inclusion of green requirements in public tender documents.
<b>Standards Map</b>	Provides information on standards, codes of conduct, and audit protocols addressing sustainability hotspots in global supply chains.
<b>International Finance Corporation (IFC)/WB Performance Standards</b>	Includes environmental and social performance standards and define client's responsibilities for managing their environmental and social risks.

Additional references and Worldwide examples of some of the eco-/social labels in relation to World Bank Projects can be found below:

It is important to note that each SP procurement opportunity will need to be assessed on its own circumstances/context/merits together with the procurement regulations for Borrowers.

Logo	Objective	Issuer	Geographical Distribution	Relation to WB project
<p>GEN</p> 	<p>GEN is an association of national Type I Eco-Label organizations from all over the world</p>	<p>Various (Type I)</p>	<p>Worldwide</p>	<p>A project in the Philippines involves Efficient Lighting Market Transformation in rural electrification.</p> <p>GEN recommends the national certification system Green Choice Philippines (GCP) and gives criteria in the GCP 2009002 document for the induction of lamp luminaries.</p>
<p>World Green Building Council LEED</p> 	<p>LEED: Leadership in Energy &amp; Environmental Design, is a green building certification program that recognizes best-in-class building strategies and practices.</p>	<p>Green Business Certification Institute (Type I-like)</p>	<p>Worldwide</p>	<p>The Social Infrastructure Retrofitting Project proposed to complete the rehabilitation of an original investment program for energy efficiency improvements in social sector buildings (schools and hospitals) across Belarus. The LEED Manual for Existing Buildings: O&amp;M outlines how owners and operators of existing buildings can implement sustainable practices and reduce the environmental impacts of the building over the functional life cycle.</p>
<p>Blue Angel</p> 	<p>Certification for over 100 product and service categories (incl. ICT, textiles, building materials, lighting) that have environmentally friendly aspects.</p>	<p>RAL GmbH</p>	<p>Germany</p> <p>Products available worldwide</p>	<p>The Education Sector Development project in Mauritius requires the procurement of lab equipment including PCs. These should meet the highest standards for environmental protection. Therefore, the criteria of RAL-UZ, 78a for desk computers could be included in the procurement procedure.</p>
<p>EU Eco-Label</p> 	<p>Criteria consider whole-of-life cycle for over 30 product and service categories (incl. ICT, textiles, building materials, and lighting).</p>	<p>EU (Type I)</p>	<p>EEA</p>	<p>A project for the Restructuring and Modernization of Water companies in Bulgaria seeks to improve operating efficiencies. Thus, the basic sustainability criteria for the procurement procedure could be taken from the EU Eco-Label (2007/742/EC for Electricity-, gas-driven, or gas-absorbing heat pumps).</p>

Logo	Objective	Issuer	Geographical distribution	Relation to WB project
<p>Energy Star</p> 	<p>Energy consumption of electronic devices (multi-functional devices, computers, etc.)</p>	<p>Manufacturer (Type II)</p>	<p>Worldwide</p>	<p>As part of the sustainable energy technologies development for climate change that promotes local content, very small enterprises in Mexico are to be supported in the ICT field. Therefore, the procurement procedure for multi-functional devices for several government agencies could include basic sustainability criteria and refer to Energy Star criteria granting up to 80% of all products available locally.</p>
<p>GoodWeave</p> 	<p>Child-Labor free certification in the carpet industry.</p>	<p>GoodWeave's national offices</p>	<p>Worldwide certified exporters</p>	<p>A Stepping Up Skills Project in Guinea seeks to boost employability and employment outcomes of Guinean youth in targeted skills programs. Applying criteria from the International Standard for Rug Producers could be a preventive measure for the risk and social harm identification in the vocational training sector.</p>
<p>Programme for the Endorsement of Forest Certification (PEFC)</p> 	<p>Wood Products</p>	<p>PEFC</p>	<p>Worldwide</p>	<p>The Secondary Education Improvement Project in Ghana include the construction of staff quarters for National Service personnel posted to the community. Part of the mitigation measures identified that the staff quarters could be based on timber frame constructions. Requiring only wood products with the PEFC seal could be used.</p>
<p>Fairtrade Labelling Organization International</p> 	<p>Fair trade products such as foodstuffs, toys, and sports goods.</p>	<p>FLO-Cert</p>	<p>Worldwide</p>	<p>As part of the revenue generating activities, the Mozambique Conservation Areas for Biodiversity and Development Project could support market access to promising supply chains that include the certification of foodstuffs (such as cashew nuts and coffee).</p>





## Annex II. Valuation Tools

### **Smart Procurement Valuation-Tool (SPV-Tool)**

Monetizing environmental, social, and economic gains of SPP is a key step towards effective and efficient public spending. The MAVA Foundation and the IISD have developed a valuation tool to provide this evidence.

The SPV-Tool calculates the net economic, social, and environmental impacts when governments procure sustainable goods and services. These impacts are communicated in both their own and monetary terms to create a clear picture of how SPP can bring better VfM across the product/service life cycle.

The creation of sectoral, multidimensional models, such as the SPV-Tool allow to quantitatively project and evaluate trends (for issue identification), identify entry points for interventions and set targets (for policy/investment formulation), assess ex-ante the potential impact across sectors and the effectiveness in solving stated problems (or exploiting opportunities) of selected interventions (for policy/investment assessment), as well as monitor and evaluate the impact of the interventions chosen against a baseline scenario (for policy/investment monitoring and evaluation ex-post assessment).

The SPV-Tool is based on the System Thinking (ST) and System Dynamics (SD) methodologies. ST allows to map systems, visualizing interdependencies across indicators (e.g. economic, social, and environmental), reaching a shared understanding of the underlying functioning mechanisms of the sector analyzed. SD is a form of computer simulation modelling designed to facilitate a comprehensive approach to planning for sustainability (Meadows, 1980; Randers, 1980; Richardson et al., 1981; Forrester et al., 2002). A key characteristic of SD is that it allows to integrate the three spheres of sustainable development in its analytical process. In fact, SD allows to represent explicitly stocks and flows of human, built and natural capital, and to create linkages among them through the use of feedbacks, delays, and non-linearity. SD is commonly used by the private sector (e.g. for supply chain vulnerability assessments) and by the public sector (e.g. for climate mitigation and adaptation, as well as green economy planning).

The creation of integrated product models for SPP (SPV-Tool) is driven by available literature and stakeholder inputs (through the creation of system maps or Causal Loop Diagrams). These diagrams are then used as the starting point for the creation of the quantitative model, which would be entirely customized to the product analyzed, the sectors it relies on, and the ones it affects.

In the context of sustainable public procurement, the main outputs of the SPV-Tool include the investment required to implement the intervention desired, resulting avoided costs, and added benefits. For example:

Product	Investment	Avoided Cost	Added Benefits
Vehicles	Capital cost (cost differential)	Energy use and cost; and health impacts and cost	Greenhouse gas emission reduction; energy self sufficiency; and employment creation

## **Sustainable Asset Valuation-i-Tool (SAVi-Tool)**

To help countries prioritize sustainable and natural infrastructure, IISD has developed a sustainable asset valuation model (SAV-i) that will prove to governments and investors that:

- Sustainable and natural infrastructure is not only more sustainable and climate-resilient, but also more bankable than grey infrastructure;
- Preserving and restoring natural ecosystems may be more bankable than building civil engineered structures for essential climate adaptation and environmental services; and
- Sustainable and natural infrastructure can, when sensibly planned and financially structured, yield more satisfactory internal rates of return and net present values than their grey alternatives.

The SAV-i Tool includes 2 models:

- Model 1 is a SD model to quantify and monetize the economic, environmental, and social co-benefits of sustainable and natural infrastructure.
- Model 2 is a unique project finance model that will couple the monetized economic, environmental, and social co-benefits with financial parameters that determine project bankability. These financial parameters include long-term demand, long-term revenue, projected operating costs, capital expenditure, costs of capital, projections on inflation, discount rates, currency risks, etc.

Both models are based on a well-tested methodology and a solid framework, which can be customized to several types of infrastructure. The SD methodology, will serve as a knowledge integrator (making use of data across sectors, and for various actors). It allows for a conventional cost-benefit analysis of given infrastructure design choices, as well as a more comprehensive assessment of the broader social, economic, and environmental outcomes of infrastructure (e.g. including key externalities and specific vulnerabilities).

Model 1 includes the estimation of the following: (1) investments (e.g. capital and O&M costs), (2) forecasted impacts (e.g. reduction of fish stock following the installation of a hydropower dam), (3) emerging avoided costs (e.g. reduced energy consumption in buildings, avoided road construction in the case of better road siting), and (4) added benefits (e.g. employment creation and income for the local population). These four key elements of the analysis can be included in simulation models through the use of stocks and flows, where physical infrastructure is coupled with social, economic, and environmental drivers and outcomes. It

will highlight the importance of resilience, anticipating risks and highlighting the broader benefits to be accrued by all actors.

Model 2 will demonstrate the bankability of infrastructure projects based traditional financial parameters including longer term demand, longer-term revenue, projected operating costs, capital expenditure, costs of capital, projection on inflation and discount rates, etc. However, the value added in the IISD project finance model is that in addition to the financial parameters, the model will build in the monetized environmental, social, and economic co-benefits.



