



SUSTAINABLE PROCUREMENT

An introduction to sustainable
procurement in IPF projects

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Common Abbreviations and Defined Terms

The below table sets out common abbreviations and defined terms (those starting with capital letters) that are used in this Guidance.

Glossary of Commonly Used Terms

Abbreviation/Term	Full Terminology/Definition
Alternative Procurement Arrangement (APA)	An approved procurement arrangement, typically based on rules, procedures, regulations, or policies of other development banks, agencies, and organizations, including client implementing agencies. APAs can be applied to procurement arrangements under the Bank's Investment Project Financing (IPF) if they meet the Bank's assessed standard.
Applicant	A firm, joint venture, or Consultant that submits an Application in response to an invitation for Prequalification, Initial Selection, or Shortlisting.
Associated Facilities	Facilities or activities that are not funded as part of the project and, in the judgment of the Bank, are: (a) directly and significantly related to the project; and (b) carried out, or planned to be carried out, contemporaneously with the project; and (c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist.
Bank	IBRD and/or IDA (whether acting on its own account or in its capacity as administrator of trust funds provided by other donors).
Bid	An offer, by a firm or joint venture, in response to a Request for Bids, to provide the required Goods, Works or Non-consulting Services.
Bidder	A firm or joint venture that submits a Bid for Goods, Works or Non-consulting Services in response to a Request for Bids. In this Guidance, 'Bidder' is more broadly used to refer to a firm or joint venture responding to any competitive Bank-financed procurement activity, including a Request for Proposal.
Borrower	A borrower or recipient of Investment Project Financing (IPF) and any other entity involved in the implementation of a project financed by IPF.
Contractor	A business that undertakes a contract to deliver all or a proportion of a project. Can be referred to as a 'Main Contractor' where they are responsible for managing the deliverables of other Contractors. Defined by the International Federation of Consulting Engineers (FIDIC) as 'the person(s) named as contractor in the Letter of Tender accepted by the Employer . . .'
Consultant	A variety of private and public entities, joint ventures, or individuals that provide services of an advisory or professional nature. Where the Consultant is an individual they are not engaged by the Borrower as an employee.

Abbreviation/Term	Full Terminology/Definition
Core Procurement Principles	The Bank's Core Procurement Principles (value for money, economy, integrity, fit for purpose, efficiency, transparency, and fairness) are set out in detail in Section III.C of the Bank Policy: Procurement in IPF and Other Operational Procurement Matters.
ESA	The process of environmental and social assessment as defined in ESS1
ESCP	Environmental and Social Commitment Plan.
Environmental and Social Framework (ESF)	Environmental and Social Framework of the Bank, as may be amended from time to time, which consists of a Vision for Sustainable Development, the World Bank Environmental and Social Policy for Investment Project Financing and the ten Environmental and Social Standards.
Environmental and Social Standards (ESS)	The ten ESSs, contained in the ESF, set requirements to identify, avoid, minimize, reduce or mitigate the adverse environmental and social risks and impacts of investment projects.
Goods	A category of procurement that includes commodities, raw material, machinery, equipment, vehicles, Plant, and related services such as transportation, insurance, installation, commissioning, training, and initial maintenance.
Green, Resilient and Inclusive Development (GRID)	The Bank's strategy for responding to global economic and climate impacts by promoting economic growth that goes hand in hand with environmental goals and social inclusion.
IBRD	International Bank for Reconstruction and Development.
IDA	International Development Association.
IISD	International Institute for Sustainable Development.
Initial Selection (IS)	The shortlisting process used prior to inviting Request for Proposals in the procurement of Goods, Works, or Non-consulting Services.
Investment Project Financing (IPF)	The Bank's financing of investment projects that aims to promote poverty reduction and sustainable development. IPF supports projects with defined development objectives, activities, and results, and disburses the proceeds of Bank financing against specific eligible expenditures.
KPI	Key Performance Indicator.
Most Advantageous Bid/Proposal	As defined in the Procurement Regulations, Annex X, Evaluation Criteria.
NGO	Non-governmental Organization.
Non-consulting Services	Services that are not Consulting Services. Non-consulting Services are normally bid and contracted on the basis of performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include drilling, aerial photography, satellite imagery, mapping, and similar operations.
Prequalification	The shortlisting process which can be used prior to inviting Request for Bids in the procurement of Goods, Works, or Non-consulting Services.
Primary Suppliers	Defined in the ESF as 'those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project. Core functions of a project constitute those production and/or service processes essential for a specific project activity without which the project cannot continue.'

Abbreviation/Term	Full Terminology/Definition
Probity Assurance Provider	An independent third party that provides specialist probity services for concurrent monitoring of the procurement process.
Procurement Documents	A generic term used in the Procurement Regulations to cover all Procurement Documents issued by the Borrower. This includes GPN, SPN, EOI, REOI, Prequalification document, Initial Selection document, Request for Bids document, Request for Proposal documents, forms of contracts and any addenda.
Procurement Plan	The Borrower’s Procurement Plan for IPF projects, as referred to in the Procurement Regulations, Paragraphs 4.4 and 4.5, and incorporated by reference in the Legal Agreement.
Procurement Process	The process that starts with the identification of a need and continues through planning, preparation of specifications/requirements, budget considerations, selection, and contract.
Project Development Objectives (PDOs)	The development objectives that a project intends to achieve.
Project Procurement Strategy for Development (PPSD)	A project-level strategy document, prepared by the Borrower, that describes how procurement in IPF operations will support the PDOs and deliver Value for Money.
RFB	Request for Bids as a selection method.
RFP	Request for Proposals as a selection method.
RFQ	Request for Quotations as a selection method.
Small and Medium-Sized Enterprises (SMEs)	Small and Medium-Sized Enterprises is a term used to classify businesses according to their size, which is typically determined according to staff headcount and/or annual turnover.
Subcontractor	Defined by FIDIC as ‘any person (or business) named in the Contract as a subcontractor, or any person appointed by the Contractor as a subcontractor . . . for a part of the Works.’
Supervising Engineer	Defined in the industry standard form contract developed by the International Federation of Consulting Engineers (FIDIC) as the ‘Engineer’ who is ‘appointed by the Employer to act as the Engineer for the purposes of the Contract’
Supplier	Businesses that are contracted to provide physical supplies such as goods, materials, plant, and so on, either directly to the Borrower/Employer or to the Contractor or Subcontractors.
Sustainability	For purposes of this guidance, “sustainability” is used interchangeably with “environmental and social” when referring to an approach that protects or enhances the environmental and social aspects of a project and considers longer-term, qualitative and non-financial benefits, often to wider society.
Sustainable Procurement	Sustainable Procurement refers to the use of procurement to achieve benefits that fall within three sustainable development categories: economic, environmental, and social.
Sustainable Public Procurement (SPP)	Sustainable Procurement activity carried out by public authorities or government agencies / bodies / institutions.

Abbreviation/Term	Full Terminology/Definition
Task Team	The team assembled within the World Bank made up of a collection of number of skillsets/professions and lead by the Task Team Leader with the objective of supporting the Borrower to deliver the project and achieve the Project Development Objectives.
Value for Money (VfM)	VfM means the effective, efficient, and economic use of resources, which requires the evaluation of relevant costs and benefits, along with an assessment of risks, and of non-price attributes and/or lifecycle costs, as appropriate.
Works	A category of procurement that includes new construction of structures of all kinds (buildings, highways, bridges, etc), renovations, extensions, and repairs. This category can also include water and sanitation, transportation and energy-related infrastructure.
World Bank Group	Represents IBRD, IDA, IFC, MIGA, and ICSID.

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Introduction

Defining Sustainable Public Procurement

Sustainable Public Procurement (SPP) is “a process whereby public organizations meet their needs for goods, services, works, and utilities in a way that achieves value for money on a whole lifecycle basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment”.¹

“Sustainable procurement” is often used interchangeably with terms such as “procurement for horizontal policy objectives,” and “green procurement.”² Green procurement is likely to place a more singular focus on environmental considerations, whereas sustainable procurement typically refers to the use of procurement to achieve benefits that fall within three sustainable development categories: economic, environmental and social. There is often significant overlap between these sustainability categories; for example, positive social outcomes may also deliver economic benefits and vice versa. For purposes of this guidance, “Sustainability” is used interchangeably with “Environmental and Social.”

Executive Summary

This non-mandatory Guidance sets out the procurement-related actions that should be taken throughout the World Bank (Bank) project cycle to achieve Environmental & Social (E&S) outcomes in accordance with the Bank’s Environmental and Social Framework (ESF), and support sustainable project implementation. The Guidance provides detailed advice on how to consider and implement SPP within the context of an Investment Project Financing (IPF) initiative. Given the prevalence of Works projects within the Bank’s IPF portfolio, much of the advice in this Guidance is targeted at construction-related contracts—while acknowledging that SPP should be tailored and fit for purpose to the context of the project and the Borrower’s country. In what can be a complex set of topics, the Guidance seeks to explain E&S procurement-related activities linked to the Bank’s project cycle, providing practical advice, tools, and real-world examples of SPP in action, including case studies from Bank-financed projects.

The role of public procurement continues to gain importance as governments increasingly recognized the economic and productivity benefits of using fair and transparent competition to engage the private sector in the delivery of public services.³ A new wave of procurement reforms is sweeping across the world, with a focus on leveraging SPP to deliver E&S benefits. Bank projects have already begun to deliver tangible benefits through SPP, including empowering small and minority-owned

businesses, achieving emissions reductions through the use of innovative technology, and supporting the growth of new green industries.

The Bank's twin goals—to end extreme poverty and promote shared prosperity by supporting Borrowers to achieve development priorities—present further opportunities for public procurement to make a significant contribution. Projects are selected based on their ability to support Borrowers' development objectives, including national development priorities, Green, Resilient and Inclusive Development (GRID), and the Bank's twin goals.

To support effective project implementation, the Bank's Environmental and Social Framework (ESF) establishes 10 standards relating to the assessment and management of environmental and social risks and impacts. This gives Borrowers a clear roadmap for delivering Investment Project Financing (IPF) in a manner consistent with international good practice in governance, transparency, accountability, and sustainability. As most projects involve large procurement components (such as Works and Goods) a great deal of a project's E&S opportunities and risks are managed by project delivery partners—that is, the Contractors, Consultants, and Suppliers that a Borrower country engages to design and/or implement a project. If project partners are not made aware of relevant E&S opportunities and risks or held accountable for managing them, projects may fall short of the expected ESF standards, which could cause harm and might reverse some of the project's development objectives.

In addition to its importance in achieving the standards set out in the ESF, SPP also gives Borrowers the opportunity to use procurement to proactively generate social, environmental, and economic benefits. Procurement practitioners play a critical role in bringing these various objectives to fruition in the implementation of Bank-financed projects.

Borrower and Bank procurement practitioners cannot meet these expectations on their own, particularly given the large number of E&S issues and priorities that need to be considered in any IPF project.⁴ Responsibility for identifying, quantifying, and assigning E&S risks sits across technical, E&S, and project leadership roles, which requires concerted effort throughout the project cycle. For procurement, there is typically a great deal of focus on the bidding process. However, some of the greatest opportunities for procurement to influence project outcomes come on either side of the bidding process, both at the concept stage and then much later, once contracts are signed and project partners are mobilizing to implement and deliver the project.

Outside of Bank-financed projects, many client countries look for opportunities to increase SPP within government-funded projects—for example, for job creation, development of new/renewable industries, and so on. The various mechanisms that countries use to govern their procurement systems, such as laws and policies, framework agreements, capacity building programs, and technology, all have an important role to play as enablers for SPP. To create an environment where SPP can be mainstreamed, some Borrowers may need to implement a broad and ambitious reform program.

At the inception of an IPF project, the Identification/Concept stage represents a significant opportunity to influence the scope, objectives, and approach of the project, as well as to consider alternatives to the proposed project, in order to deliver sustainable outcomes. To effectively contribute to the

development of a robust project concept, both the Procurement Specialist and E&S Specialist should collaborate to gain an understanding of each other's perspectives on key risks and issues.

The Project Preparation (Appraisal) stage represents a significant procurement milestone for the Borrower, which is the development of the Project Procurement Strategy for Development (PPSD) and the Procurement Plan. The PPSD details the procurement planning and analysis carried out by the Borrower, culminating in a recommended procurement approach. Once again, strong collaboration between Procurement Specialists and E&S Specialists is required to ensure the analysis places adequate weight on the project's environmental and social risks and benefits when designing appropriate mitigations. Failing to do so may dramatically reduce the likelihood of achieving sustainable outcomes.

At the Implementation stage, the Procurement Plan is put into action by the Borrower, which means delivering each of the contracts required to implement the Project. The Bank has taken steps to embed many generic E&S procurement-related measures in Standard Procurement Documents (SPDs), such as child labor, pay, cultural heritage, and so on. However, these generic clauses may not always account for project-specific E&S risks and opportunities, which need to be integrated into the specification/works requirements in the SPD. It is also unlikely that sufficient E&S-related clauses or requirements are included in a Borrower's own national bidding documents, which will be the case for the significant number of procurements that fall below national thresholds for internationally competitive procurement. This will require Procurement Specialists and E&S Specialists to work together on specific elements of the bidding documents.

The evaluation methodology used to assess the submitted bids also requires careful consideration, since tools such as rated criteria (non-price factors) give Borrowers an opportunity to award to Contractors who offer the best sustainability, quality, and value overall. SPDs also present Borrowers with further tools for holding Contractors accountable for sustainability matters, including use of Key Performance Indicators (KPIs), a code of conduct for workers, and costing methodologies that allow E&S overheads to be kept separate from other contract deliverables. All of the Bank's procurement-related tools that support E&S opportunities and risk mitigation are explained in this Guidance, and links are provided as needed.

Purpose

This Guidance is written for Bank staff and Borrowers responsible for implementing Bank IPF initiatives. It provides a substantial update to the Bank's previous Guidance document on Sustainable Procurement. Since that document was originally developed in 2016, the Bank has launched the ESF, which is a set of mandatory standards designed, among other things, to support Borrowers' E&S risk management. The Bank has also launched a number of initiatives, such as GRID, and the commitment to align all Bank operations with the Paris Agreement⁵ starting from July 2023. The Guidance also considers a number of areas that go beyond Bank policy but represent good practice or align with international trends.

Procurement has a significant role to play in achieving all of these objectives, which will involve incorporating new considerations into the procurement process and adopting new methodologies.

This Guide is intended to illustrate how this can be achieved, and to give Task Teams and Borrowers the knowledge and tools to implement the required changes.

The Guidance also provides a general overview of SPP, with a particular focus on implementing SPP practices as part of IPF operations, while also referencing good practice internationally. This Guidance is applicable to IPF⁶ projects and does not extend to Program for Results financing or other alternate Bank finance instruments.

How to Use this Guidance

This Guidance provides an overview of how Bank staff can support Borrowers to undertake SPP and deliver environmental and social objectives through contracts under Bank IPF projects. The Bank does intend to provide targeted advice to Borrowers and Contractors at a later date.

The Guidance includes a number of features to help users to efficiently navigate the content, for example:

- Each chapter includes an Overview section, which summarizes key points for those who do not need to learn all of the detail.
- The ESF is used as the applicable environmental and social standard throughout this Guidance.⁷ Users who wish to identify further sustainability opportunities beyond the ESF will find examples of leading practice throughout the document.
- The Guidance seeks to explain the link between the ESF and the Bank's Procurement Framework in the context of IPF operations, and as a result the Guidance is structured chronologically to align with the Bank's project phases.
- Additional "deep dives" are included to provide specific information on how certain environmental or social topics (for example, climate mitigation or child labor) are addressed at each stage of the project, so that users can clearly see the "cascade" of requirements from the ESF to technical requirements in procurement documents.
- The Guidance summarizes related concepts and provides links to relevant documents for further reading (for example, links will be provided to Bank Guidance on "Contract Management: Practice" for additional detail on the management of environmental and social risks during the contract management phase).
- Case study summaries are provided throughout the document, so users may learn from SPP principles being put into practice.
- A Learning Checklist has been provided at the end of most sections, to allow users to carry out a brief self-assessment and ensure they have grasped the section's key topics.
- A number of tools and templates have been provided throughout, to save users time by allowing them to directly implement some of the Guidance's key concepts.

Additional information is presented in a number of boxes; for example:

A green box indicates a case study providing an example of sustainable procurement in practice.

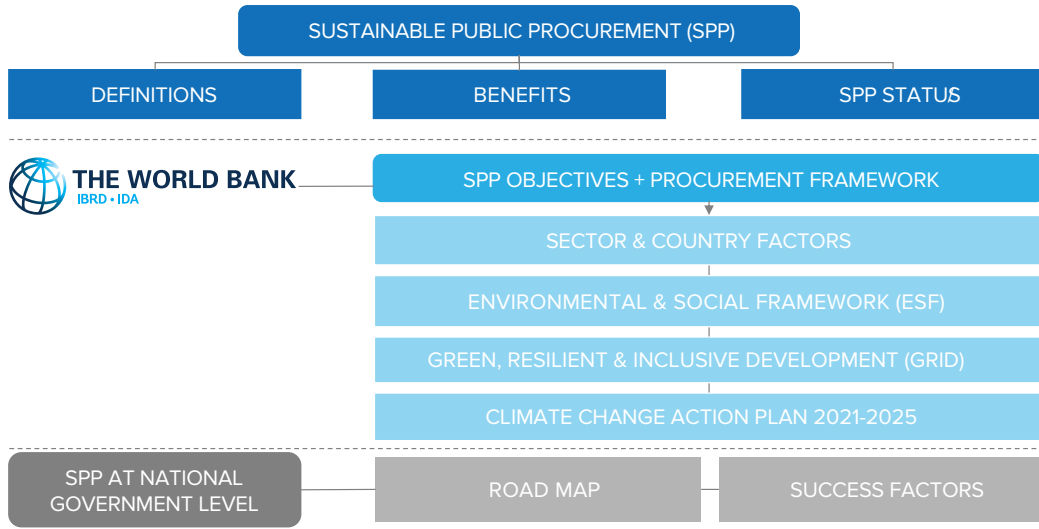
A gray box describes a scenario commonly found in World Bank projects and suggests an appropriate response.

Tip boxes containing additional resources or advice are set out in blue.

The terms “project,” “procurement,” and “contract” will be used throughout the Guidance to describe different Bank activities where SPP may take place. They can be distinguished as follows:

- **Project:** The provision of IPF by the Bank to help the Borrower achieve a set of development objectives from the delivery of a physical asset, a package of reforms, an improvement program, or other enablers. The delivery of the project may require the engagement of one or more Contractors, Consultants or Suppliers. The Bank’s project process follows a common cycle (set out below in The World Bank Project Cycle).
- **Procurement:** The process followed by Borrowers to engage a Contractor, Consultant or Supplier in accordance with the Procurement Regulations to support achievement of the project’s objectives. The procurement strategy for an entire project, detailing the different procurement processes that will need to be delivered, is set out in the Project Procurement Strategy for Development.
- **Contract:** A legal agreement between the Borrower and the Contractor/Consultant/Supplier that results from the procurement process and details the terms under which the goods, services, or works will be delivered.

The following diagram provides an overview of the structure of this Guidance, to help users to navigate the various sections



THE WORLD BANK (IBRD - IDA) **SPP IN THE PROJECT**



THE WORLD BANK (IBRD - IDA) **SPP & OPERATIONS**



ANNEX 1: ECO/ SOCIAL LABELS

ANNEX 3: SAMPLE ToR FOR PROJECT SUPERVISING ENGINEER

Overview of Sustainable Public Procurement

Background of SPP

Public procurement⁸ makes up a significant proportion of economic activity globally, at an average of 13% of GDP in low-income countries and 13.2% in middle-income countries.⁹ This proportion can be significantly higher in some countries (for example, 28% in Botswana and 26% in Kenya). The scale of this spending means public procurement is increasingly being recognized as a critical tool, not only for achieving its primary purpose of acquiring goods and services to support the delivery of public services, but also for delivering other important policy objectives.

Although in some environments procurement is still seen as a transactional and administrative activity, many policy makers have identified procurement as a powerful mechanism for achieving policy objectives because:

- Unlike business regulation and economic policy, public procurement provides more of a direct connection between government and the private sector, and the opportunity to win often large or long-term contracts can act as an incentive for businesses to adopt new practices.
- Government projects, particularly in “social infrastructure” (for example, schools, hospitals, and other community spaces), can multiply the benefits of investment by creating local jobs and supporting local businesses, as well as delivering social and environmental benefits.
- Private sector businesses deliver critical services to government, including, for example, managing the delivery and maintenance of critical infrastructure, which means the success of the procurement process will be a key factor in determining the success of the project.

The Evolution of SPP

The history of SPP shows significant recent developments and a growth in popularity. One of the first notable approaches to SPP, entitled “Procuring the Future,” was published in 2006 by the UK Government’s Sustainable Procurement Task Force. This document introduced a systematic approach to Sustainable Procurement. On the international stage, the United Nations Environment Programme (UNEP) established the Marrakech Task Force on Sustainable Public Procurement. Led by Switzerland from 2006 to May 2011, it developed an approach for the effective implementation of SPP that was piloted in a number of countries around the world.¹⁰

The first edition of UNEP’s “Sustainable Public Procurement Implementation Guidelines,”¹¹ published in 2012, emphasized the need for countries to assess the current status of SPP and begin training practitioners on basic principles to apply within individual procurements. In the 10 years that followed, the importance of SPP grew to a point where procurement is now routinely applied by governments as a tool for achieving economic, social, and environmental benefits, and in an increasingly targeted way.

A UN survey of 45 national governments showed that around half (47%) have made SPP policy commitments that cover both environmental and socioeconomic issues,¹² while the other half (47%) had instituted policies focused purely on the environmental dimension. All 27 respondents to an Organization for Economic Co-operation and Development (OECD) survey¹³ use procurement to achieve at least one sustainability objective at a national level. All respondents reported having a framework to support environmental objectives in public procurement, 70% have a framework for human rights, 41% have a framework for gender considerations, and 48% target some form of discrimination.¹⁴

The COVID-19 pandemic highlighted the importance of public procurement in general and has since continued to present significant challenges related to supply chain management. The global supply disruptions that emerged in various sectors during the pandemic has increased pressure and public scrutiny, forcing governments to rethink global supply routes in search of more resilient and sustainable ways to deliver public services such as health care and infrastructure, while also maintaining access to essential supplies such as food and fuel.

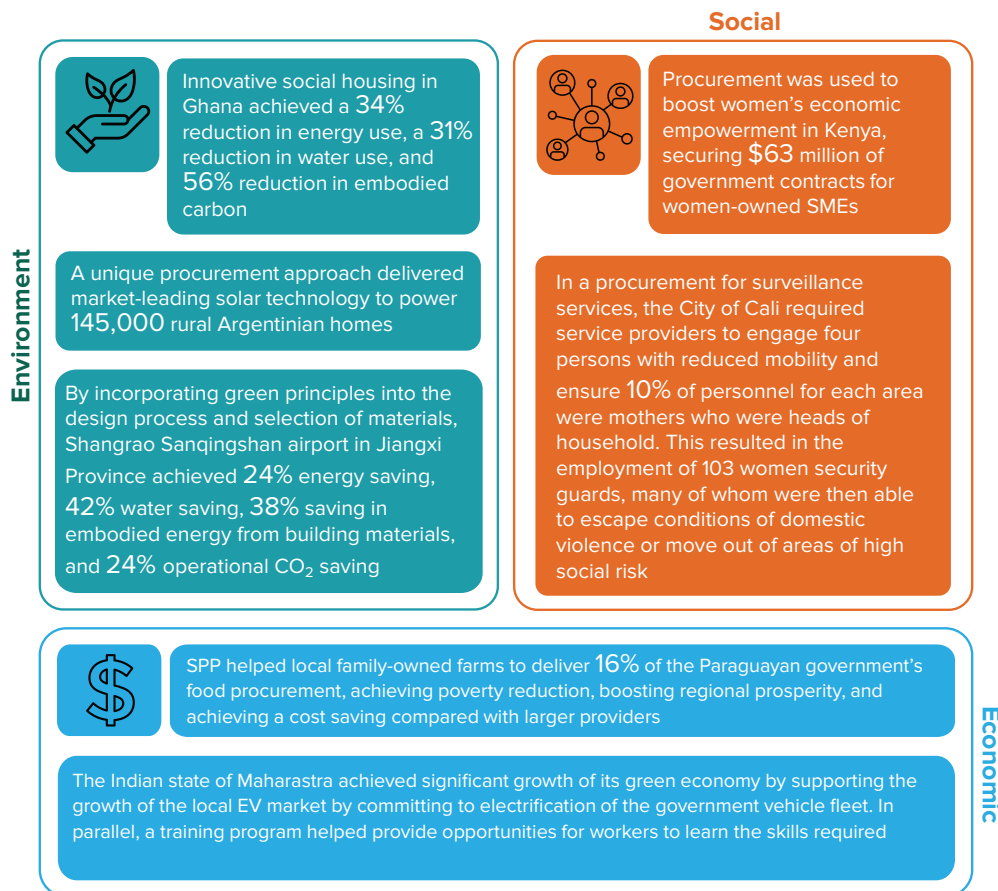
Risks and Perceptions of SPP

Mitigation of corruption risk is the primary focus of procurement regulations and policies in many countries, in order to minimize the misallocation and waste of public funds.¹⁵ SPP is perceived as increasing corruption risk in procurement,¹⁶ as it often involves more subjective requirements, costing, and evaluation methodologies. Other criticisms of SPP include challenges in measuring and monitoring benefits, and a perception that it involves a cost premium. To combat these perceptions, national governments often use examples of the benefits and outcomes that procurement has helped to deliver in support of local economic, social, and environmental objectives.

Benefits of SPP

SPP can deliver a range of benefits, directly and indirectly, across the traditional categories of economic, social, and environmental, as identified by the Sustainable Purchasing Leadership Council.¹⁷ While a number of direct benefits may be measured effectively, the broader benefits of SPP can be more challenging to quantify. There is often overlap of benefits between categories; for example, some social and environmental approaches may also yield unexpected economic benefits. Figure 1 highlights achievements from the application of SPP in both World Bank and government-funded projects’ around the world.

FIGURE 1 Illustrative benefits of SPP

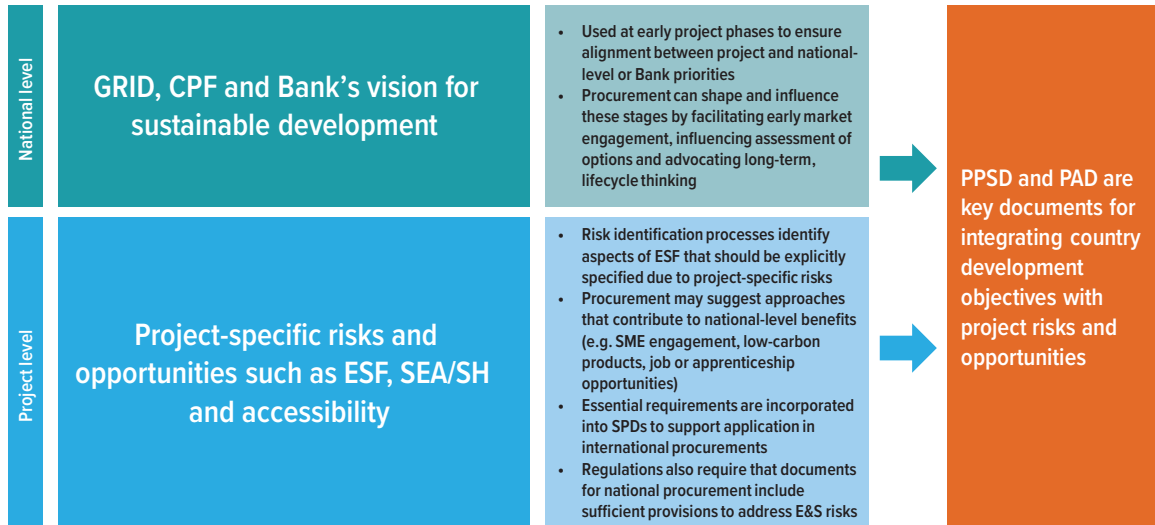


SPP at the World Bank

The Bank's goals are to end extreme poverty and promote shared prosperity through sustainable development.¹⁸ The Bank has established several policies and initiatives (such as ESF and GRID) that provide a framework to help align project decision-making to the Bank's goals. SPP can support these aims by ensuring that private sector organizations (Bidders) that participate in procurement processes for IPF projects are explicitly incentivized and directed to consider how development objectives can be achieved and E&S risks can be managed in the course of implementing a project.

In most jurisdictions, adopting SPP practices involves modifying the procurement process in order to incorporate additional economic, social, or environmental objectives. These additional objectives may be a combination of national priorities (for example, promotion of Small and Medium-Sized Enterprises (SMEs), or reduction of carbon and waste) and project objectives (for example, community engagement, creation of local job opportunities).

FIGURE 2 Connection between national-level and project-level development objectives, risks, and opportunities



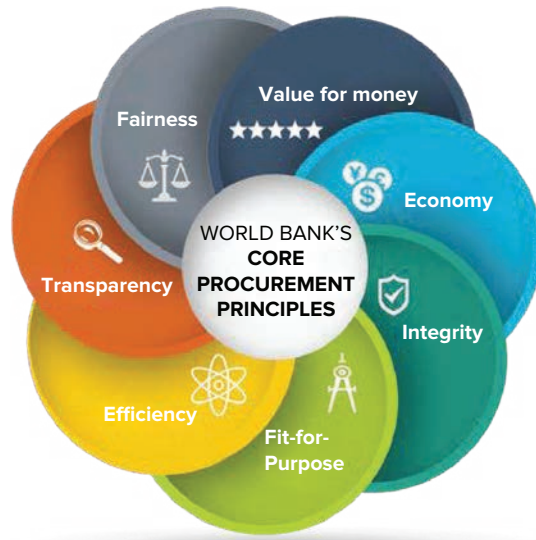
As illustrated in Figure 2, SPP at the Bank also requires procurement to consider how to incorporate different E&S considerations at different stages of a project to align with Bank priorities and lending policies:

- The Environmental and Social Framework (ESF) is the Bank's framework for management of environmental and social (E&S) risks and impacts of IPF projects;
- Green, Resilient, and Inclusive Development (GRID) departs from previous development strategies by promoting economic growth that goes hand in hand with environmental goals and social inclusion, ensuring that economic growth happens in parallel with the transition to a low-carbon, resilient economy; and
- The Bank and Borrowers agree upon national-level priorities in documents such as the Country Partnership Framework (CPF), which then serve to guide the investment pipeline and ensure projects help to achieve national development priorities.

SPP within the Bank's Procurement Framework

The Bank's Core Procurement Principles (illustrated in Figure 3) are set out in the Bank Policy on procurement.¹⁹ They are fundamental to good procurement practice and provide the foundation for SPP practice within the Bank's Procurement Framework.²⁰ For example, one of the Bank's core principles, Value for Money (VfM), has a broad definition that includes a strong theme of sustainability:

*"VfM means the effective, efficient, and economic use of resources, which requires the evaluation of relevant costs and benefits, along with an assessment of risks, and of non-price attributes and/or life cycle costs, as appropriate."*²¹

FIGURE 3 Core Procurement Principles

Operations procurement activity is governed by different mechanisms, including the Procurement Regulations, the Procurement Directive and Procurement Procedure, all of which make up the Procurement Framework. IPF Projects that were approved after July 1, 2016 are governed principally by the [Procurement Regulations](#). More information on the Framework can be found [here](#).

Tailoring SPP to the Project Operating Context and Sector

Understanding Risks and Opportunities within a Specific Industry Sector or Project Context

The Bank has a diverse portfolio of IPF projects, with the majority of Bank financing typically occurring in the following sectors:

- Agriculture
- Education
- Energy and extractives
- Health
- Information and communications
- Social protection
- Transportation

- Urban development
- Water, sanitation and waste

The extent to which projects across these sectors will prioritize sustainability is likely to vary, given the array of development objectives that IPF projects pursue. Projects in the agriculture, energy/extractives, social protection, transportation, and water sectors often have the mitigation of environmental or social risks as their core objectives. Many projects include sustainability-related Project Development Objectives (PDOs)—for example, an agricultural strengthening project may have sustainability of water irrigation resources as a key aim. There are also environmental remediation projects that support investments to clean up areas contaminated by resource-intensive industries.

Different sectors involve different sustainability risks and opportunities given the nature of competition in the market, the inherent scale and severity of environmental impact, supply chain complexity, local and national laws and controls, and availability of standards and evaluation techniques in the sector. Supply chains typically originate with the mining or harvesting of some form of raw material. The processes to refine or enhance those raw materials can present different social or environmental risks, depending on the nature of the physical labor involved, the natural environment, the energy or water required, the geographic location and a number of other factors.²² Additionally, some supply chains may be harder to determine and monitor due to the number of firms involved, and their maturity to transparently and accurately record or monitor activity, making it difficult to ascertain if environmental and social standards are being met.

Owing to the complexity and global nature of modern supply chains, even sectors that, on face value, do not appear resource intensive, in fact, after deeper investigation be found to present considerable environmental or social impacts. The information and communications technology (ICT) industry, for example, could use 20% of all electricity produced by 2025, and emit up to 5.5% of the world's carbon emissions.²³ Given that environmental and social risks present themselves in all significant industries and sectors, procurement can consider how to pursue sustainability benefits from all types of investment projects.

Environmental and social risks and impacts are most effectively avoided and minimized through sustainable project design and supply choices, where it is technically and financially feasible. Doing so requires early identification of the key environmental and social risks and impacts related to the proposed investment, so that key design and supply considerations can be incorporated into the procurement process where appropriate. While there are ways to add in additional sustainable considerations or manage unanticipated impacts once project implementation begins and contracts are signed, this typically leads to delays, increased costs, and occasionally legal complications.

Procurement practitioners will be more effective in identifying risks when they are equipped with some knowledge of the relevant sector, including what to look out for when procuring certain products or within certain sectors or regions. The chances of success in SPP are increased where the most significant risks can be anticipated and planned for. Where avoiding and minimizing risks is not feasible, procurement can leverage the knowledge and expertise of the market to identify and implement the most effective measures, from a technical and cost perspective, to mitigate environmental and social impacts. Alternatively, procurement can promote existing sustainability standards and best

practices, such as those used to certify energy efficiency in buildings or materials that are created using sustainable manufacturing processes.

Table 1 shows how four different environmental and social risks are more likely to arise in certain sectors. By conducting this type of sector-level analysis, Bank and Borrower procurement staff will be able to make more informed predictions about the risks that are likely to arise in each project.

TABLE 1 Alignment between sustainability risk factors and sectors or industries

Category	Environmental Risks		Social Risks	
	Risks in Transition to Net Zero	Most Significant Polluters	Forced Labor	Occupational Health & Safety (OHS)
<i>Description</i>	To reach a fully decarbonized economy, countries are planning actions to reduce emissions from the 'harder-to-abate' sectors such as heavy industry and transport, which currently account for 10Gt (30%) of total global CO2 emissions. That proportion is expected to increase as other sectors decarbonize.	There are five main types of pollution troubling our planet: air, water, soil, light, and noise. Although all of these are harmful, air pollution and water pollution pose the biggest threat, with air pollution contributing close to 8.7 million deaths globally and water pollution contributing to 1.5 million children's deaths and the poisoning of our waterways and sea life. Data has been used to understand which industries were the biggest contributors to these two types of pollution.	Of the 24.9 million global victims of forced labor, 16 million were in the private economy, 4.8 million were in forced sexual exploitation, and 4.1 million were in forced labor imposed by state authorities. The below data relates to forced labor exploitation imposed by private actors other than for commercial sexual exploitation.	The European Union collates data on fatal accidents at work across member countries by sector.
<i>Sectors</i>	<ul style="list-style-type: none"> ■ Cement ■ Steel ■ Plastics ■ Heavy Road Transport ■ Shipping ■ Aviation 	<ul style="list-style-type: none"> ■ Energy ■ Transport ■ Manufacturing and construction ■ Agriculture ■ Food retail ■ Fashion ■ Technology 	<ul style="list-style-type: none"> ■ Domestic work (24%) ■ Construction (18%) ■ Manufacturing (15%) ■ Agriculture, forestry, and fishing (11%) 	<ul style="list-style-type: none"> ■ Construction (22%) ■ Transportation and storage (15%) ■ Manufacturing (15%) ■ Agriculture, forestry, and fishing (12%)
<i>Source</i>	Mission Possible Report , the Energy Transitions Committee	Amalgamated from various data sources by The Eco Experts	Global Estimates of Modern Slavery , International Labour Office (2017)	Eurostat , European Union (2019)

SPP in States Experiencing Fragility, Conflict, and Violence (FCV) or Specific Vulnerabilities (Including Small States)

Key to delivering SPP is a fit-for-purpose procurement approach, which is particularly important in FCV situations. It is important to ensure that the amount of resource expended on assessment and analysis of risks and development of an SPP strategy²⁴ is proportionate to the size, nature, and complexity of the procurement, accounting for contextual factors such as the maturity and stability of a particular market. This can vary enormously by country and by sector, particularly for Borrowers that are operating under capacity constraints because of fragility or specific vulnerabilities (including small states).

SPP in FCV and/or small states can be particularly challenging. The context in which they operate, including fiscal constraints (in the case of small states) and ongoing threats to human life and infrastructure (in the case of FCV states), poses additional challenges for managing the environmental and social aspects of a project. This is exacerbated by limited supply market capacity to respond to these challenges, given the likely difficulties that Borrowers will face trying to attract Bidders to participate.

Despite these challenges, it is recognized that FCV and/or small state projects are often in great need of sustainable solutions. In 2012, the International Institute for Sustainable Development (IISD) claimed that even though public institutional processes and capacities might be weak, and the development of the private sector still in its infancy in such countries, adopting an SPP approach could increase awareness and appreciation for environmental stewardship and social cohesion. The most compelling rationale for fragile states to invest in SPP is that it provides a cost-effective way of building local industrial capacity to trigger the growth of domestic industries and entrepreneurs and to increase domestic investment.²⁵

FCV and small state countries can also seek additional support in delivering SPP. For example, a Borrower with limited procurement expertise and experience in relation to the risks and complexity of the project may ask the Bank to provide Hands-On Expanded Implementation Support (HEIS).²⁶ HEIS may include, among other activities:

- Drafting Procurement Documents,
- Identifying strengths and weaknesses of Bids/Proposals,
- Observing dialogues and negotiations with Bidders/Consultants, and
- Drafting procurement reports and contract award documentation.²⁷

The World Bank Environmental and Social Framework (ESF)

Introduction to the ESF

The ESF applies to all Investment Project Financing (IPF) projects with Concept Decision on or after October 1, 2018.²⁸ The ESF reflects the Bank's commitment to sustainable development through 10 Environmental and Social Standards (ESSs), which can also support Borrowers to progressively achieve their own sustainability goals.

The ESSs set the standard for managing IPF project risks and impacts²⁹ in areas such as labor, non-discrimination, climate change mitigation and adaptation, biodiversity, community health and safety, and stakeholder engagement. The ESF emphasizes a risk-based approach, which means that resources are allocated to activities such as impact assessments and project management in a manner that is proportionate to the level of risk.

The ESF also emphasizes the use of adaptive management practices, in which risk mitigation measures are responsive to unanticipated changes in project conditions and obstacles to the achievement of project objectives. This can be demonstrated through the mitigation hierarchy³⁰, which reflects good international practice by structuring mitigation measures as follows (in order of priority):

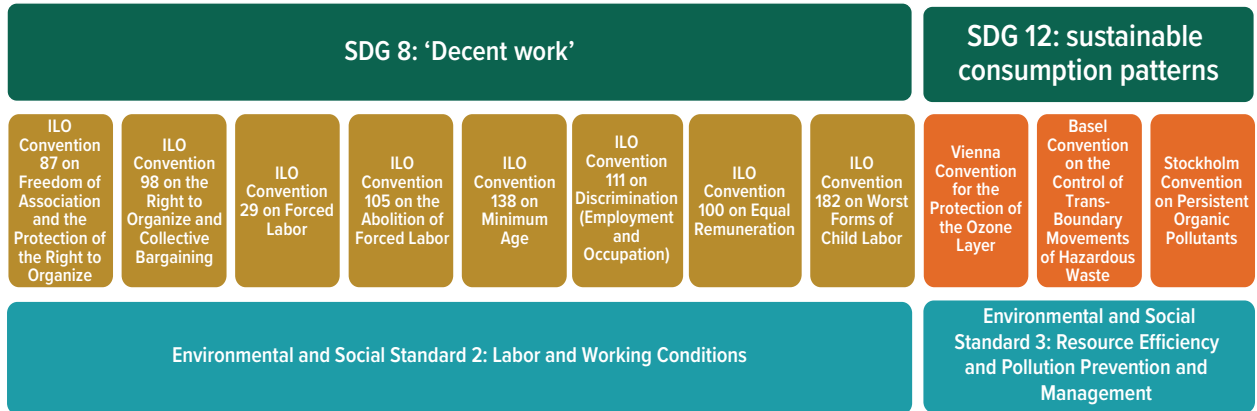
- Anticipate and avoid risks and impacts;
- Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels;
- Once risks and impacts have been minimized or reduced, mitigate; and
- Where significant residual impacts remain, compensate or offset, where technically and financially feasible.

For some Borrower countries, elements of their legislative frameworks will be consistent with the ESF, covering issues such as pollution control, community health and safety, labor, and biodiversity. Many countries have also ratified international conventions on matters such as labor³¹ and the environment,³² meaning that their legal and policy frameworks may be largely aligned with the ESSs. This leads Task Teams to take the important step of identifying the measures that Borrower countries already have in place for managing the environmental and social aspects of a project. Mitigation measures are incorporated into project documents, particularly the project's Legal Agreement, the Environmental and Social Commitment Plan (ESCP) and documents to which they refer. This assures the Bank that standards are in place to adequately manage the project's risks.

The 10 ESSs of the ESF bring together the principles and objectives established in the United Nation's Sustainable Development Goals (SDGs)³³ with international conventions and other relevant good

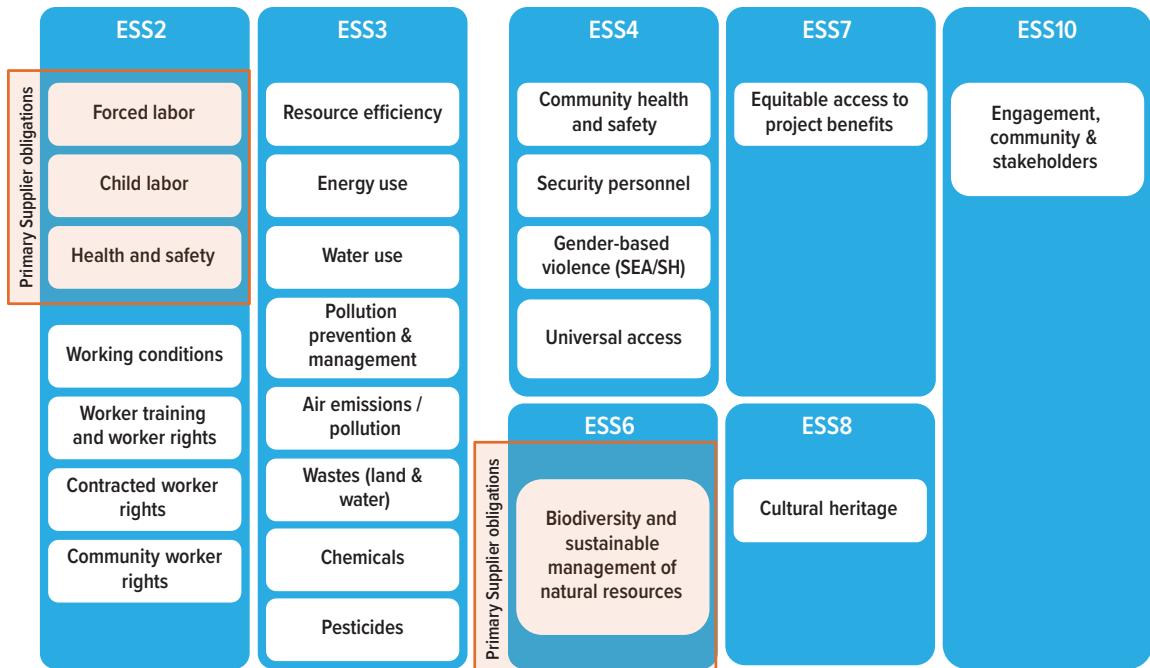
international practice. As illustrated in Figure 4, this means there is clear alignment between the SDGs, international conventions, and the ESSs.

FIGURE 4 Example of alignment between SDGs, international conventions and ESF standards



E&S issues in different projects may differ in impact and likelihood depending on the sector, geography, or broader political and cultural context in which the project is delivered. Some of these issues will be more relevant for procurement than others, such as those that apply to the actions of Contractors/Consultants/Suppliers. Figure 5 provides an overview of the E&S issues that are relevant to procurement, and how they are grouped into the 10 ESSs.

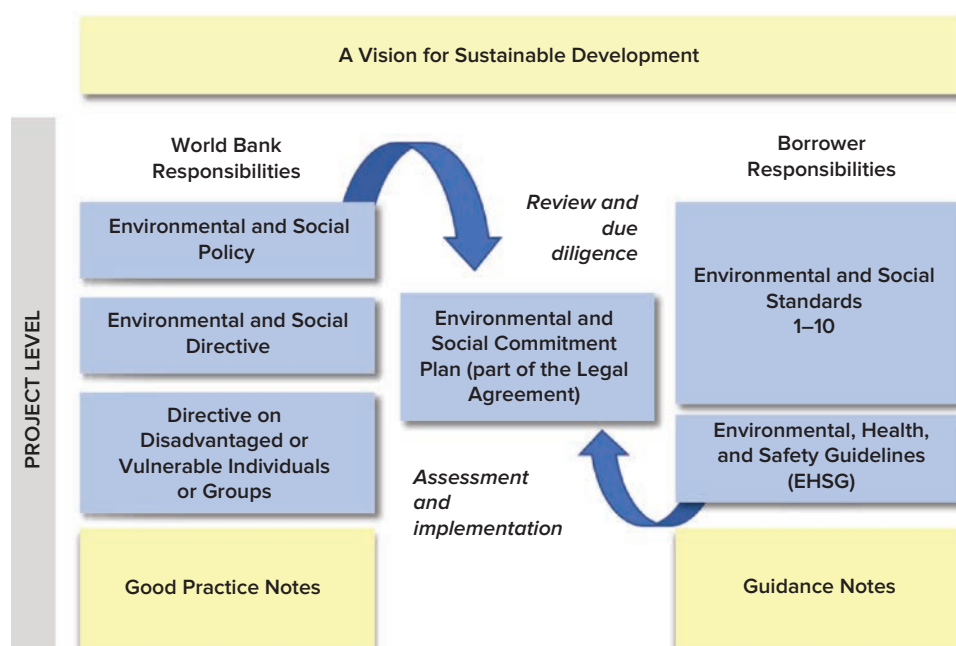
FIGURE 5 ESF issues that cascade to Contractors



*Note: ESS5 covers land acquisition and use and as a result, is not pertinent to procurement

Under the Legal Agreement for an IPF project, the Borrower has an obligation to adhere to the ESSs throughout the project. The Bank and the Borrower will also agree on an Environmental and Social Commitment Plan (ESCP), which sets out the material measures and actions that the Borrower is required to implement for the project to meet the ESSs over a specified timeframe. Figure 6 shows how the ESCP, which forms part of the Legal Agreement,³⁴ reflects the actions the Borrower is committed to perform in order to meet the ESSs.

FIGURE 6 Responsibilities in relation to implementation of the ESF at the project level



Scope of ESF Application

All IPF projects are required to comply with the Procurement Framework³⁵ and the ESSs. However, the ESF also applies to some IPF Bank-financed projects that are not required to adhere to the Procurement Framework; for example:

- Where loans are given to Financial Intermediaries (FIs), such as banks and other national financial institutions, to administer to private borrowers;
- Where the Bank provides a Bank Guarantee (instead of a loan) to underwrite another institution's funding; and
- In relation to Associated Facilities as they are not funded as part of the project.

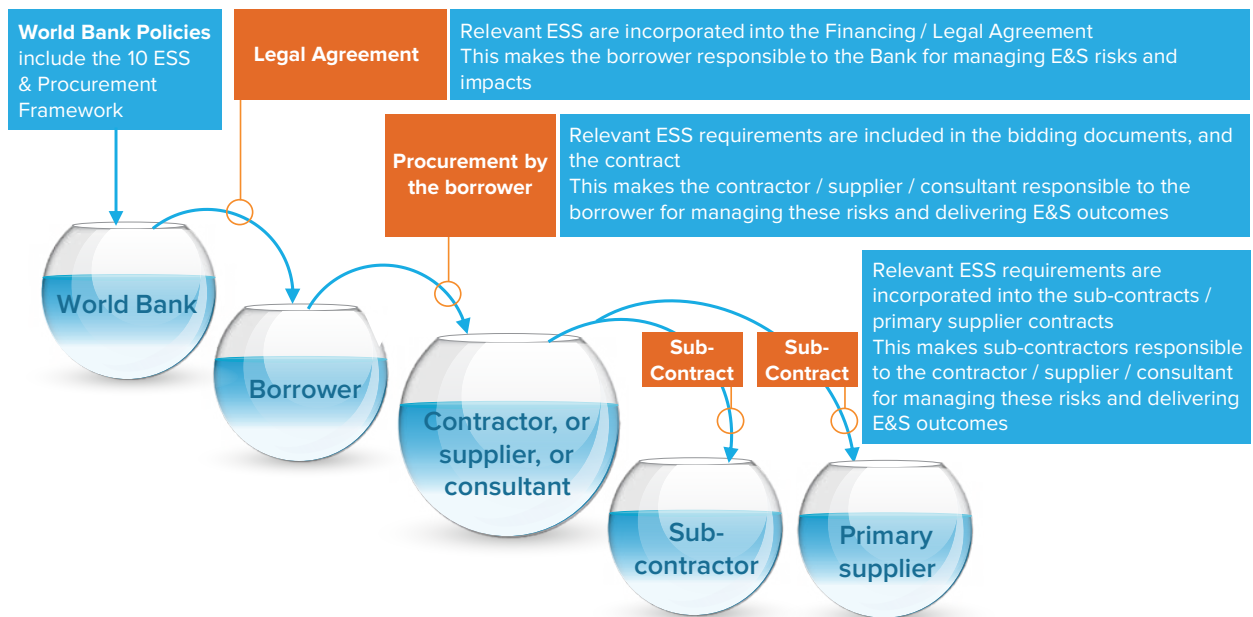
Cascade of the ESF to Contractors, Subcontractors and Primary Suppliers

The ESF recognizes that even though the Borrower is accountable to the Bank under the Legal Agreement for complying with the ESSs while implementing the project, it is likely that the Borrower's

Contractor(s) will undertake most of the activities required to implement the project. This is why procurement is so critical to the successful management of the project’s E&S risks. Effective project implementation involves a great deal of coordination between the Borrower, Contractor(s), Consultants, and Suppliers, some of whom may be based outside of the country where the project is located. Obligations related to E&S issues in each party’s contracts will need to be carefully designed so that they are clear and aligned with each other.

Under an SPD for works, the Borrower engages a single [main] Contractor or multiple lead Contractors, who then subcontracts activities to other Contractors, Consultants or Suppliers, who in turn may also subcontract to other parties, creating a supply chain. The [main] Contractor in a Works contract is singly responsible for all the actions of their Subcontractors and other parties within their supply chain. Figure 7 demonstrates how the actions needed to meet the ESSs cascade from the Borrower to the Borrower’s Contractors, Subcontractors, and Suppliers so that each party has an appropriate level of accountability for managing the project’s E&S risks and impacts.

FIGURE 7 Cascading the ESF



Successfully achieving this cascade of accountability requires the Borrower to establish arrangements to ensure that the Contractor and their supply chain partners comply with the ESSs when delivering the project. Contractors engaged by the Borrower are considered to be under the Borrower’s direct control.³⁶ As such, the Borrower is accountable to the Bank for the environmental and social issues that arise in the project, even if the Contractor is responsible for the day-to-day management of many of these issues.

In some projects, there may be significant sustainability risks in the supply chains of the goods or materials procured by the project. These risks may exist deep in the supply chain, several contractual

steps away from the Borrower. The complexity and geographic dispersion of modern supply chains can make it difficult for a Borrower to identify and manage all sustainability risks in the supply chain.³⁷ Both ESS2 and ESS6 have provisions applicable to Primary Suppliers, who are defined as:

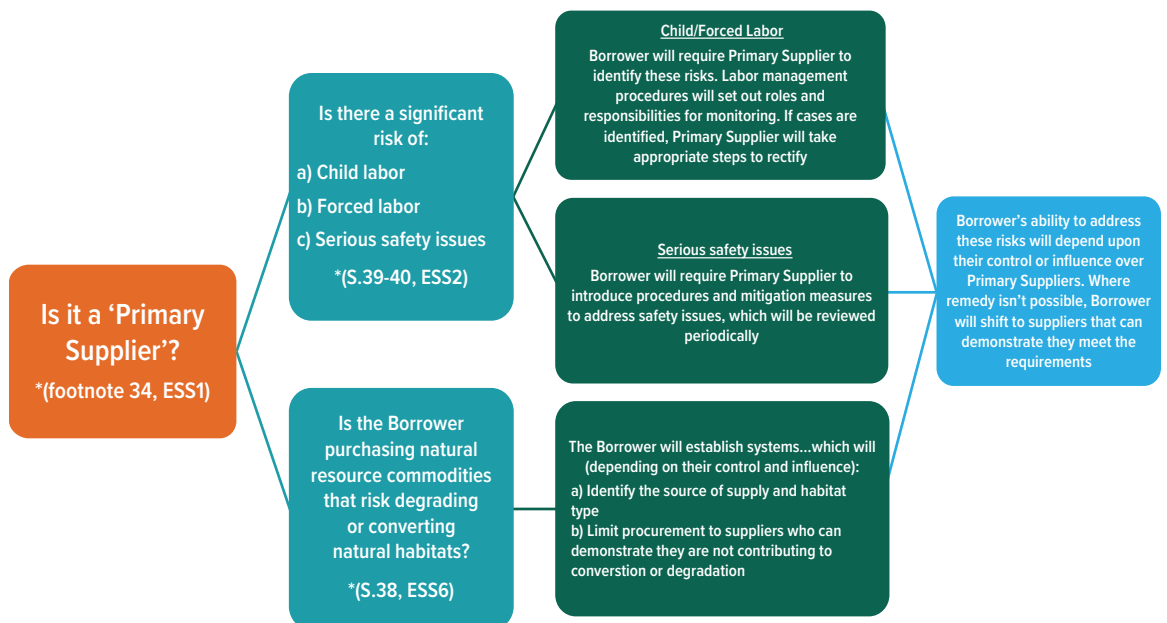
- “[T]hose suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core³⁸ functions of the project”.³⁹

In summary, ESS2 and ESS6 require the Borrower to manage four aspects related to Primary Suppliers, namely that Primary Suppliers to a project do not:

- Employ or engage child labor (ESS2, paragraphs 40, 42);
- Employ or engage forced labor (ESS2 paragraphs 40, 42);
- Cause significant conversion or significant degradation of natural or critical habitats when supplying goods or materials to the project (ESS6 paragraphs 38, 40);
- Operate in conditions that give rise to serious safety issues (ESS2 paragraphs 40, 41).

Borrowers should consider these issues in relation to Primary Suppliers during the environmental and social assessment and develop appropriate risk mitigation measures. The ESF prescribes a set of actions for identifying and remedying breaches of ESS2 and ESS6 by Primary Suppliers, as demonstrated in Figure 8; though ESS2 and ESS6 also recognizes that the Borrower’s ability to fully address these issues depends on their level of control or influence over its Primary Suppliers (see ESS2 paragraph 42; ESS6 paragraph 40).

FIGURE 8 ESF steps for identifying and remedying breaches of ESS2 and ESS6 by Primary Suppliers



The Bank's SPDs for **Works projects** do not use the term "Primary Suppliers," as they are based on a construction industry standard contract developed by the International Federation of Consulting Engineers (FIDIC), and therefore use the same terminology as the FIDIC standard contracts:

- **Employer:** the role played by the Project Implementation Unit (PIU) of the Borrower (also known as the purchaser, owner or client) who employs the "Contractor" to physically carry out the project Works;
- **Contractor:** the person(s) named as the Contractor in the letter of tender. Also often referred to as the "Main" or "Prime" Contractor, to signify that they are contractually responsible to the Borrower for implementing the project, depending on the procurement approach that is being used (more complex delivery models such as a PPP may place accountability on a collection of entities). The ESF states that "Contractors retained by or acting on behalf of the Borrower or an implementing agency are considered to be under the direct control of the Borrower," which means that the Borrower is held responsible to the Bank for any failure by the Contractor to meet the ESSs.
- **Subcontractor:** any person named in the contract as a Subcontractor, or any person appointed by the Contractor as Subcontractor. These organizations take a lead role in delivering the project, and under the FIDIC contract, are bound to comply with all of the Contractor's obligations in relation to the subcontracted works and are therefore required to meet the ESSs.
- **Suppliers (other than subcontractors):** this term is used in the Bank's SPDs to refer to organizations that are not named as Subcontractors, that may have a contractual relationship with either the Contractor or a Subcontractor, and that meet the above definition of "Primary Supplier." The organizations that source or manufacture goods and materials for the project may or may not operate on or near the site and may even be located in a different country from the one in which the project is located.

The Bank's SPDs have incorporated contract clauses that are applicable to "*Suppliers (other than subcontractors)*," reflecting the requirements on Primary Suppliers under ESS2 and ESS6. Table 2 summarizes the relevant clauses in the Works SPD⁴⁰:

TABLE 2 SPD contract clause wording to address Primary Supplier risks

Primary Supplier Issue	Extract of SPD Clause Wording
Child labor	<i>"The Contractor shall take measures to require its suppliers (other than Subcontractors) not to employ or engage child labour⁴¹. . . . If child labour cases are identified, the Contractor shall take measures to require the suppliers to take appropriate steps to remedy them. Where the Supplier does not remedy the situation, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to manage such risks."</i>
Forced labor	<i>"The Contractor shall take measures to require its suppliers (other than Subcontractors) not to employ or engage forced labour including trafficked persons. . . . If forced labour/trafficking cases are identified, the Contractor shall take measures to require the suppliers to take appropriate steps to remedy them. Where the Supplier does not remedy the situation, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to manage such risks."</i>

(continues)

TABLE 2 SPD contract clause wording to address Primary Supplier risks (continued)

Primary Supplier Issue	Extract of SPD Clause Wording
Serious safety issues	<i>“The Contractor shall also take measures to require its suppliers (other than Subcontractors) to adopt procedures and mitigation measures adequate to address safety issues related to their personnel. If serious safety issues are identified, the Contractor shall take measures to require the suppliers to take appropriate steps to remedy them. Where the Supplier does not remedy the situation, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to manage such risks.”</i>
Degradation of natural resources and habitats	<i>“The Contractor shall obtain natural resource materials from suppliers that can demonstrate, through compliance with the applicable verification and/or certification requirements, that obtaining such materials is not contributing to the risk of significant conversion or significant degradation of natural or critical habitats such as unsustainably harvested wood products, gravel or sand extraction from river beds or beaches.”</i> <i>“If a Supplier cannot continue to demonstrate that obtaining such materials is not contributing to the risk of significant conversion or significant degradation of natural or critical habitats, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to demonstrate that they are not significantly adversely impacting the habitats.”</i>

Borrowers can consider whether the above clauses would need to be supplemented by additional provisions to include specific risk mitigation measures and monitoring arrangements related to Primary Suppliers, as identified through the environmental and social risk assessment. These additional provisions should be proportionate to the value, complexity, and risk level of the project,⁴² and cognizant of the degree of control or influence that the Borrower has over its Primary Suppliers. Where remedy is not possible, the Borrower should work with the Contractor to shift to suppliers that are able to demonstrate compliance with these requirements.⁴³

Associated Facilities

Projects may involve Associated Facilities, which are defined in the Environmental and Social Policy as facilities or activities:

that are not funded as part of the project and, in the judgement of the Bank, are

(a) directly and significantly related to the project; and

(b) carried out, or planned to be carried out, contemporaneously with the project; and

(c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist (ESS1 paragraph 11).

The Borrower is required to address the risks and impacts of Associated Facilities as required by the ESF “*in a manner proportionate to its control or influence over such Associated Facilities*” (ESS1 paragraphs 10, 32). Facilities that are associated with the project, such as a construction material processing site, or a manufacturing facility to produce goods and materials for the project, should be screened to see if they would be considered as “Associated Facilities.”

Since Associated Facilities are not funded as part of the project, they are not subject to the Procurement Regulations. Borrowers can still choose to use E&S clauses from Bank SPDs to manage relevant risks related to Associated Facilities. Task Teams can also help Borrowers to design procurement processes that identify reputable Contractors with the capacity to manage relevant E&S risks and include appropriate E&S provisions in bidding documents.

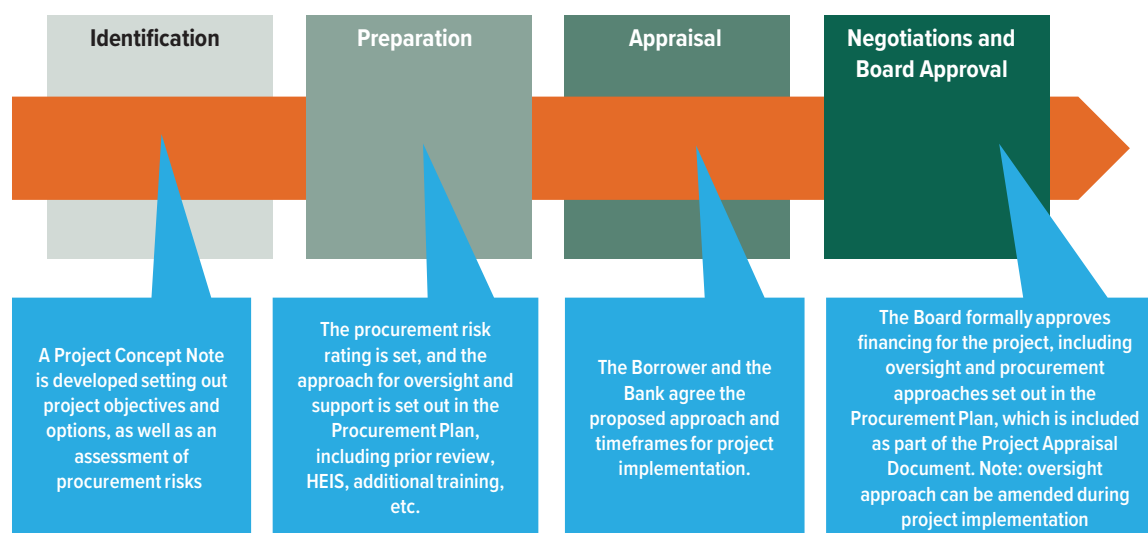
Procurement Assurance Activity to Support ESF Implementation

The Bank’s SPDs have been updated to reflect some of the requirements of the ESSs, incorporating new contract terms, specifications, and other elements such as sample performance metrics and a template code of conduct. These updates reflect the likely risk associated with each type of contract. For example, there are likely to be significant differences in the environmental and social risks and impacts encountered when procuring health equipment as opposed to construction of a water treatment facility. To get a comprehensive overview of E&S contract terms, Task Teams and Borrowers can use the SPD for Large Works as an example, as large civil Works typically present the widest range of environmental and social issues.

It is also important to understand that the SPDs incorporate common E&S requirements for contracts within a specific sector. Additional measures will need to be incorporated to reflect risks that are specific to the project or even to an individual contract. Project or contract-specific risks will need to be mitigated by incorporating additional requirements into the SPD as specifications (see *Implementation – The Use of SPDs in Different Project Types to Address E&S Issues* for further detail). The SPDs include instructions to the Employer (Borrower) on how to develop project-specific specifications.

From a procurement perspective, the Bank also provides different forms of support to help Borrowers take appropriate steps throughout the project lifecycle. For instance, the Bank may agree to provide HEIS at a given stage of procurement, “*if the Bank determines that this support is useful to help the Borrower achieve the development objectives and outcomes of an IPF operation*”.⁴⁴ HEIS can be provided to projects subject to either Procurement Regulations for Borrowers or the Procurement Guidelines. Alternatively, the Bank’s Procurement Specialists may conduct procurement oversight including prior and post reviews, which are determined by risk-based mandatory financial thresholds and a number of other criteria set out in the Procurement Procedure.

Figure 9 provides an overview of decision points and implications for providing fit-for-purpose implementation support to Borrowers.

FIGURE 9 Establishing procurement implementation support arrangements

Procurements/contracts subject to prior review

Triggered by:

- ✓ Exceeding value threshold
- ✓ By exception, high-risk procurement approaches including using negotiations, BAFO or competitive dialogue
- ✓ Also triggered by using sustainable procurement approaches over and above application of ESF
- ✓ All Works procurements under projects classified as high risk for SEA/SH that use SPDs

Involves Bank reviewing:

- Justification for any proposed awards using Direct Selection
- The draft procurement notices before they are published;
- The Borrower's draft procurement documents before they are issued;
- The results of the evaluation of Bids/Proposals before they are announced;
- The Borrower's draft responses to procurement-related complaints before they are issued; and
- The draft contracts before they are signed by the Borrower

Procurements/contracts subject to post review

Triggered by:

- ✓ Agreement in the Procurement Plan, including in place of pre-review for over-threshold procurements that present low or moderate risk
- ✓ On a sample basis, to review the process to determine whether it has been conducted in accordance with the financing agreement.

The Bank may rely on third parties, such as supreme audit institutions, individuals and firms, acceptable to the Bank, to carry out post reviews.

The Bank conducts post reviews in order to:

- ✓ Verify that procurement procedures comply with the Legal Agreement;
- ✓ Confirm that the Borrower is complying with the agreed procurement arrangements, including timely and effective implementation of agreed risk management plans;
- ✓ Verify continued adherence to the contract, including technical compliance;
- ✓ Look for fraud and corruption red; and
- ✓ Identify mitigating measures to correct procurement deficiencies.

Applying ESF to Advance Procurement

Borrowers often undertake procurement before signing the Legal Agreement with the Bank (referred to as Advance Procurement) for various reasons. Borrowers may want to expedite project implementation, or the Borrower is seeking retroactive finance support from the Bank because national-level financing has fallen through after the project has started.

Procurement activity for IPF projects is subject to the terms of the Legal Agreement and the Bank's Procurement Framework, even if the procurement activity has already been completed before the Bank approves the project. In such situations, however, it is unlikely that the Borrower has used a Bank SPD for contracts under Advance Procurement, meaning they are unlikely to include contract clauses that align with the ESF.

Task Teams are likely to undertake due diligence of Advance Procurement to understand the nature of the procurement processes that were undertaken, and the E&S provisions that have been included in contracts (probably reflecting key national law requirements). It is also important to understand the Contractor's obligations related to reporting, performance monitoring, and other contract management measures. The due diligence exercise helps Task Teams to identify key gaps with the ESSs and support a conversation with the Borrower on options for resolving these issues.

Projects Involving Alternative Procurement Arrangements

At the Borrower's request, the Bank may agree to Alternative Procurement Arrangements (APA), where the procurement rules and procedures of another United Nations (UN) agency, or an agency or entity of the Borrower are used for the project.⁴⁵ To understand the suitability of the agency, entity or organization's procurement framework, the Bank uses a standard assessment methodology based upon the Methodology for Assessing Procurement Systems (MAPS)⁴⁶ developed by the OECD. The Bank developed guidance that sets out how the MAPS methodology, slightly expanded to include an additional pillar on procurement operations and the use of minimum standards, is used to assess whether a Borrower's procurement framework can be applied under an APA.⁴⁷ The UN agency or Borrower's procurement rules and procedures must be consistent with the Bank's Core Procurement Principles in order for the Bank to agree for them to be used for Bank-financed contracts.

The Bank may also agree to APA where the procurement rules and procedures of another Multilateral Development Bank (MDB) are used for the project. This is common in cases of co-financing with another MDB. In these cases, the Bank also agrees to delegate procurement supervision to the other MDB.

Projects Involving UN Agencies

In countries experiencing capacity constraints because of fragility and conflict, Borrowers may engage UN agencies to help implement Bank-financed IPF projects (paragraph 12, Bank Policy - Investment Project Financing). UN agencies may be engaged through direct or indirect financing. Under direct financing, the Bank has a legal agreement with the UN agency, under which the UN agency will implement the project or specific activities of the project on behalf of the Borrower; while under Borrower contracting, the Borrower contracts the UN agency, using the [Standard Form of Agreement with UN Agencies for Use by World Bank Borrowers](#) (SFA). The agreements are typically for the provision of Outputs, Technical Assistance, or Supplies.

Direct Financing typically follows the APA including the procurement rules and systems of the UN Agency. As part of Project Preparation, the Procurement Specialist assesses and recommends the proposed APA including agreeing with the UN Agency on the arrangements for the Bank's oversight of procurement during implementation. Where there are significant risks that can be mitigated through procurement, the Bank may agree on additional measures to achieve this. Task Teams, in coordination with the OPCS UN program, will engage with UN agencies to understand the actors who will carry out relevant project activities as well as actions in the ESCP. This discussion should help identify any actions set out in the ESCP that need to be incorporated into relevant contracts, so that the Borrower's E&S obligations are properly cascaded down to entities involved in project implementation.

Under indirect financing, the contract between the Borrower and the UN Agency should include relevant E&S requirements. The starting point is for the Borrower to define the scope of E&S requirements as part of the scope of Outputs, Technical Assistance or Supplies. The scope of E&S requirements should be proportionate to the level of risk, as well as the scope and complexity of Outputs, Technical Assistance or Supplies. Contracts where the UN Agency is responsible for implementation of a significant scope of the IPF project will include an equally extensive scope of

E&S requirements, including, in some cases, preparation of relevant E&S documents such as risk or impact assessments.

The SFA includes a template of E&S requirements that the Borrower should use to customize and develop the applicable E&S requirements. As part of their methodology and proposed costs, the UN agency clarifies how they will perform these E&S obligations. The scope of their E&S activities and their proposed implementation approach is then included in the contract with the UN agency. As part of the Bank's review of the draft contract, the Procurement Specialist and the E&S Specialist review the scope of E&S obligations to check that they accurately reflect the Borrower's commitments to the Bank (including reporting requirements) and ensure they are complete and adequately defined.

FIGURE 10 Case Study: Harmonizing E&S requirements of development bodies with national law in an FCV context

Case Study: Harmonizing E&S requirements of development bodies with national law in an FCV context

Background

After five years of escalating conflict, Yemen continues to face an unprecedented humanitarian, social, and economic crisis. In May 2015, the United Nations (UN) placed the Republic of Yemen (RoY) at level 3 of humanitarian distress, the highest categorization of countries in conflict. Since then, Yemen has been described by the United Nations as the worst humanitarian crisis in the world, with about 80% of the population (24.1 million people) requiring humanitarian assistance.

Approach

The Bank and UNOPS are working together on a number of projects to repair critical infrastructure in Yemen. One example is the project to rehabilitate the sewer network throughout the capital city, Sana'a. Despite the urgent nature of the project and its extremely challenging context, Bidders were still asked how they would ensure environmental and social protections were in place during implementation. To set clear parameters for the project, UNOPS prepared an Environmental and Social Management Framework (ESMF) that met national environmental laws and regulations as well as the Bank's ESF. Using the ESMF as a reference point, UNOPS would then prepare an Environmental and Social Management Plan (ESMP) for each subproject, which assessed E&S risks and impacts, identifying necessary mitigation measures. The ESMP would also set out how each subproject would be monitored, in particular the E&S performance of project Contractors.

Additional requirements were included for managing SEA/SH, including a requirement for Bidders to agree to a set of SEA/SH principles, and to complete a template SEA/SH Action Plan, which would establish procedures and actions for protecting project beneficiaries (local communities) by providing adequate response mechanisms.

The local UNOPS/Bank team provided advice and support throughout implementation, including leading market engagement exercises, which were focused on:

- Capacity building of local contractors and implementing partners to build awareness of the project's implementation plan, in particular Health and Safety and E&S requirements; and
- Pre-bidding meetings to manage expectations and address any misunderstanding of the contracts' terms and clauses.

Outcome

The procurement approach achieved a number of benefits for the project, including:

- An increased understanding of SEA/SH safeguarding requirements among Contractors and implementing partners, including increased appreciation of its importance during project implementation;
- Increased accountability for allegations of SEA/SH through the project grievance mechanism, including the use of multiple channels to receive complaints (for example, complaint boxes, WhatsApp, toll-free hotline, email); and
- Increased participation among women during the project ESMP consultation, providing more diverse inputs and perspectives on potential environmental and social risks and mitigation strategies

Green, Resilient, and Inclusive Development (GRID)

Overview

COVID-19 has exacerbated existing structural economic and social issues globally, reversing the decline in poverty, and contributing to increased inequality. GRID was launched by the Bank in the wake of COVID-19 to provide a long term framework for supporting recovery from economic recession in a way that delivers the economic and social transformations needed for a green and resilient future. It departs from previous development strategies in that it promotes economic growth in alignment with (and without compromising) environmental goals and inclusion, in a way that is tailored to country development needs and objectives.

GRID aims to guide project selection and design, including development objectives and other factors, early in the project lifecycle to align to a green and inclusive development agenda. This can be distinguished from the ESF, which was designed to manage environmental and social implementation risks throughout the project lifecycle. Implementation of ESF can support GRID and promote the GRID agenda across the country's entire development program by, for example, helping client countries strengthen their own environmental and social management systems; and facilitating increased private sector investment in the management of environmental and social risks.

Procurement can play a role in shaping a project's GRID objectives and helping to achieve them, for example::

- **Green:** considering how the project can help to grow the environmental capacity of local businesses, reducing emissions from the project supply chain, or ensuring project selection takes into account environmental and social risks that suppliers would have to mitigate during implementation.
- **Resilient:** using more sophisticated cost assessment methodologies to ensure quality and asset longevity are prioritized over cost.
- **Inclusive:** providing lasting business opportunities to local, marginalized businesses, or ensuring the project provides training opportunities to marginalized groups that boosts employability in the local population.

FIGURE 11 Case Study: Procurement's contribution to GRID objectives in Maharashtra, India

Case Study: Procurement's contribution to economic objectives for electric vehicle manufacturing in Maharashtra, India

The Indian state of Maharashtra is leading vehicle electrification in India and taking steps to become the country's top producer of battery electric vehicles (BEVs). With the recent adoption of the Electric Vehicle (EV) Policy 2021, the government is aiming to position Maharashtra as one of the leading investment and manufacturing hubs for EVs globally.

Maharashtra's timeline for zero emission vehicle (ZEV) rollout includes:

- 100% of all new government vehicles will be electric by January 2022
- 25% of public transport and all fleet operators/aggregators in the six targeted urban agglomerations will be electric by 2025
- 10% of new vehicle registrations will be battery-operated vehicles by 2025

"The state is increasing the uptake of ZEVs by investing in charging infrastructure and offering buyer incentives. These include buyback agreements; road and registration tax exemptions; and provisions for a ZEV credit program. In addition, Maharashtra has developed new skills enhancement centers. These offer programs to train mechanics, and provide opportunities for workers to learn the skills required for a job in the ZEV industry."

Source: Taking action on zero emission vehicles: Maharashtra | Climate Group (theclimategroup.org)

The World Bank Group Climate Change Action Plan 2021–2025

Overview

Current weather extremes already affect millions of people, putting food and water security at risk, and threatening agricultural supply chains and many coastal cities. Without further action to reduce extreme poverty, provide access to basic services, and strengthen resilience, climate impacts could push an additional 100 million people into poverty by 2030.⁴⁸

There has already been significant effort to gain multilateral agreement for action on climate change. At the Conference of the Parties (COP21) meeting in Paris in 2015, countries from around the world adopted the Paris Agreement, which sets the goal of holding global average temperature increase to “well below 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above preindustrial levels”. Under this landmark agreement, countries who signed the Paris Agreement committed to develop and implement their own Nationally Determined Contribution (NDC), which is a national-level five-year climate action plan setting out how the country will cut emissions and adapt to climate impacts. Many major advanced and developing countries⁴⁹ have since committed to net-zero emissions targets⁵⁰ by 2050 and pathways for emissions to peak in 2030.

Through the World Bank Group (WBG) Climate Change Action Plan 2021-2025⁵¹ (“the Action Plan”), the Bank has committed to scaling up climate action and integrating climate considerations across its operations to support countries in achieving their commitments under the Paris Agreement, as well as aligning WBG financial flows with the goals of the Paris Agreement. The Bank is already the largest multilateral provider of climate finance for developing countries and intends to go further and faster to help countries integrate climate into their development agendas.

The Action Plan also aims to advance the climate change aspects of the GRID approach, focusing on three priority areas:

- a) integrating climate and development;
- b) identifying and prioritizing action on the largest mitigation and adaptation opportunities; and
- c) using those opportunities to drive climate finance and leverage private capital in ways that deliver the most results.

The Action Plan represents a shift from efforts to “green” projects, to greening entire economies. This typically means a focus on the types of projects that the Bank invests in. For example, the Bank will prioritize projects that replace fossil fuel energy generation with energy from renewable sources,

support public transport infrastructure, or invest in reducing emissions from carbon-intensive industries. The Action Plan states that the Bank's commitment to supporting the Paris Agreement means that all new operations are planned to be "Paris-aligned" after July 1, 2023. Details on how this will be achieved have been published [here](#) on the Bank's website.

Country Climate Development Reports

The Bank works with Borrowers to develop Country Climate and Development Reports (CCDRs), which integrate climate change and development considerations.⁵² The reports suggest priority actions, priority sectors, and the transition pathway to reduce GHG emissions and climate vulnerabilities in a given country. The CCDR provides strategic direction for development projects within the country, helping to identify development objectives, key risks, and indicators that will be used to monitor the country's progress.

Procurement's Role in Reducing Emissions and Enhancing Climate Adaptation

Every year, government procurement activity across the world, which involves delivering public services by buying waste management services, fuel, electricity, construction materials, and other goods and services, produces about 7.5 billion tons of direct and indirect greenhouse gas (GHG) emissions, roughly 15% of the world's total.⁵³ The size and scale of public procurement's carbon footprint makes its potential contribution to global decarbonization a significant lever in limiting climate impacts from development activities and supporting the growth of more sustainable, less carbon-intensive markets. Procurement processes present opportunities to incorporate climate friendly design features and climate adaptation solutions by providing a forum for government to work with the market to identify financially and technically feasible responses to various climate-related challenges.

Governments can prioritize their own mitigation efforts by using lifecycle assessment tools to assess emissions across procurement categories and identify the most significant sources of emissions, both domestically and based on imported goods and materials. This can take place at several levels, including:

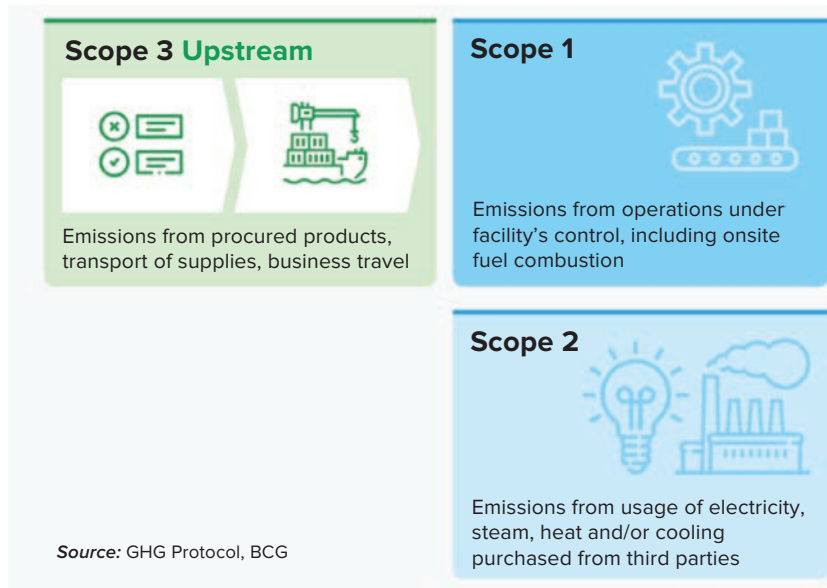
- At a national level, measuring a product or category's emissions based on total spend in that category;
- At an agency level, requiring government agencies to measure their emissions based on their own operations and the goods and services they procure; or
- At a project level, based on the goods and materials required to deliver the project.

Businesses also have a vital role to play in driving down GHG emissions. Several initiatives have been launched aimed at helping companies to begin their journey to net-zero. A number of organizations have developed free resources to help businesses to measure and reduce their emissions, such as:

- **The Science-Based Targets initiative (SBTi):** developed by the World Resources Institute (WRI), the SBTi shows companies how much and how quickly they need to reduce their GHG emissions to help to avoid the worst impacts of climate change.

- **The GHG Protocol:** a partnership between the WRI and the World Business Council for Sustainable Development (WBCSD), the GHG Protocol provides a framework for cities, national governments, and others to quantify the carbon impacts of their decisions. The Corporate Standard allows businesses to measure their carbon emissions across three scopes, as shown in Figure 12.

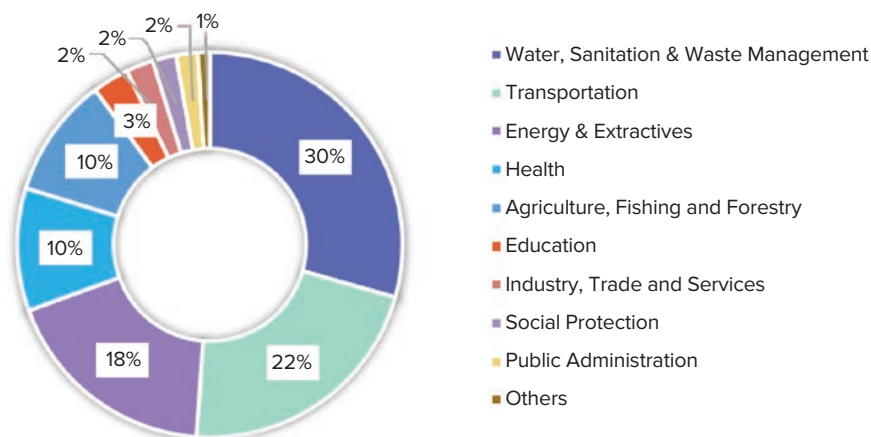
FIGURE 12 Three scopes of GHG Corporate Standard for reporting emissions



Research indicates that scope 3 emissions usually account for more than 70% of a business’s carbon footprint, and the bulk of this relates to their supply chain. In projects where the Borrower wishes to enhance climate aspects, it may look beyond the Contractor and consider emissions generated by the products and services they procure.

The Bank’s current portfolio of IPF projects is predominantly (by value) made up of complex, high-value infrastructure projects, as shown in Figure 13.

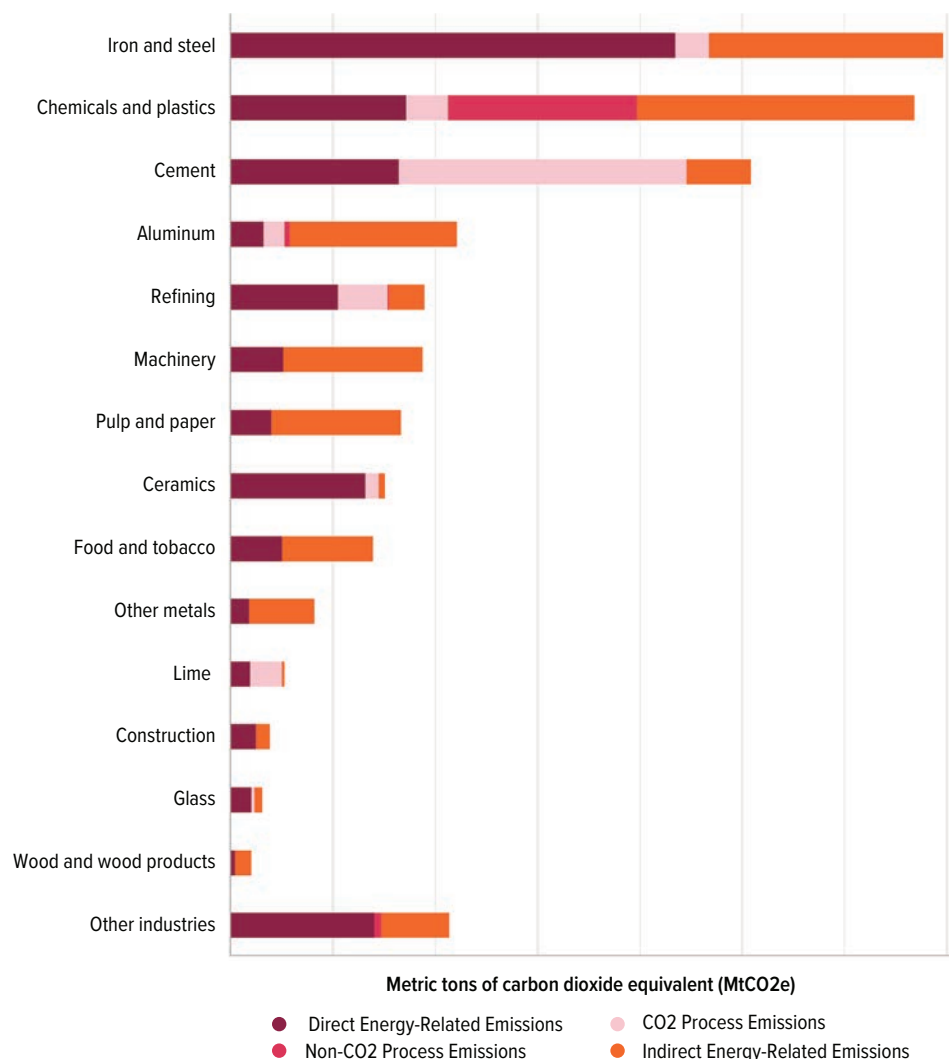
FIGURE 13 Bank project portfolio July 2017 to June 2021



The Bank’s annual project financing of around \$70 billion (2022)⁵⁴ involves a significant amount of Borrower spending on construction materials, including from industries such as steel, concrete and cement. The production processes needed to create many construction materials are often highly emission intensive. The need for continuous high-temperature heat to produce steel, cement, and concrete requires huge amounts of energy, much of which is still dependent on fossil fuels. The chemical processes involved in producing these materials are themselves a major source of emissions. By most estimates, steel and cement production account for just over 50% of all industrial emissions, as shown in Figure 14.⁵⁵

Reducing emissions from the construction sector calls for market development to increase availability of alternative construction materials, as well as research and development of new industrial processes that have less intensive GHG emissions. Governments and MDBs are supporting these efforts by investing in businesses that are seeking to deliver lower-carbon alternatives. The World

FIGURE 14 GHG emissions by industry



Economic Forum estimates that achieving emissions reductions targets does not necessarily mean a significant increase in prices for end customers. For example, a study by the World Economic Forum estimated that de-carbonizing upstream processes would only increase construction costs on a €150,000 (~\$162,000) home by less than 3%.⁵⁶

To reduce emissions from IPF projects, Borrowers may consider promoting the use of more low-carbon options through procurement, including considering the embodied carbon (that is, the CO₂ emitted while producing the materials required for a project) in the goods and materials used on a project, pursuing alternative project designs to avoid or minimize emissions, applying readily available industry standards, and working with Contractors to identify and, where feasible, implement methods to reduce emissions from their operations.

Figure 15 provides examples of existing industry standards that governments are already using to direct Bidders to implement projects using more sustainable materials and techniques. Borrowers may consider using these standards to incentivize Contractors to account for the emissions created directly by project operations (for example through traffic movements and the use of plant and machinery), as well as those relating to project design and the selection of materials.

FIGURE 15 Climate-focused industry building standards

Climate-focused industry building standards

There are currently hundreds of green building certification schemes globally. Below is a summary of some of the most well-known and recognized schemes.

BREEAM: Developed by BRE Group, a profit-for-purpose organization, BREEAM provides a science-based suite of validation and certification systems for the sustainable built environment, supporting sustainability outcomes including net-zero carbon, whole-life performance, biodiversity, circularity/waste minimization, and health and social outcomes.

Passivhaus (Passive House): Developed by the Passive House Institute (PHI), an independent research institute, Passivhaus provides a number of approaches to achieve net-zero-ready new and existing buildings in a way that enables grid decarbonization by reducing energy reliance and improves occupant health and well-being. EnerPHit is available as a more relaxed standard for retrofit projects, where existing architecture and conservation issues make meeting the Passivhaus standard unworkable.

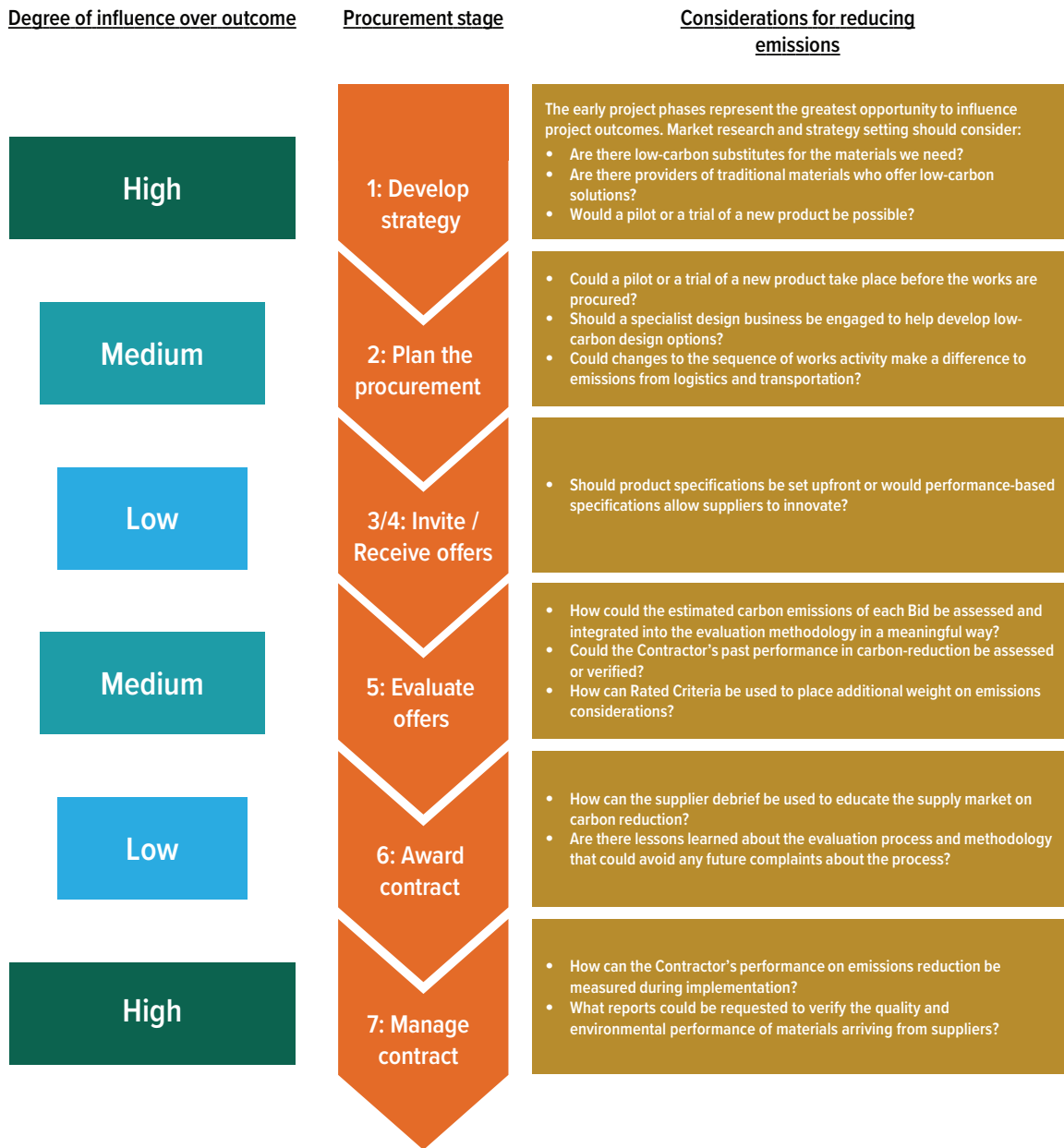
Leadership in Energy and Environmental Design (LEED): LEED is a green building certification system operated by the Green Building Certification Institute in the United States. It was developed by the United States Green Building Council, and it is now well established internationally.

DGNB: Developed by the German Sustainable Building Council, in partnership with the German Federal Ministry of Traffic, Construction, and Urban Development, DGNB covers the three paradigms of lifecycle assessment, holistic sustainability (environment, economy, and society), and a performance-based approach.

Eco-Certified Composite (ECC) sustainability standard: a voluntary industry certification for manufacturers of composite wood or agrifiber-based panels made with particle board, medium density fiberboard, hardboard, engineered wood siding, and engineered wood trim. The standard uses the Composite Panel Association's (CPA) Carbon Calculator to assess the lifecycle and carbon footprint of composite panels made at a particular manufacturing plant.

Producers of low-carbon alternatives may not be able to meet demand yet, both in high-income countries as well as emerging markets. Consideration of sustainable design principles and low-carbon construction materials in public procurement policies and initiatives would send a strong signal to the market and incentivize increased capacity and investment in new, green markets and products. Some steps of the procurement process can be more influential than others, and a range of potential interventions to reduce emissions throughout the procurement cycle and their potential impact are shown in Figure 16.

FIGURE 16 Opportunities to reduce emissions throughout the procurement cycle



SPP's Role in Integrating ESF, GRID, the Action Plan, and Development Objectives into Operations

Overview

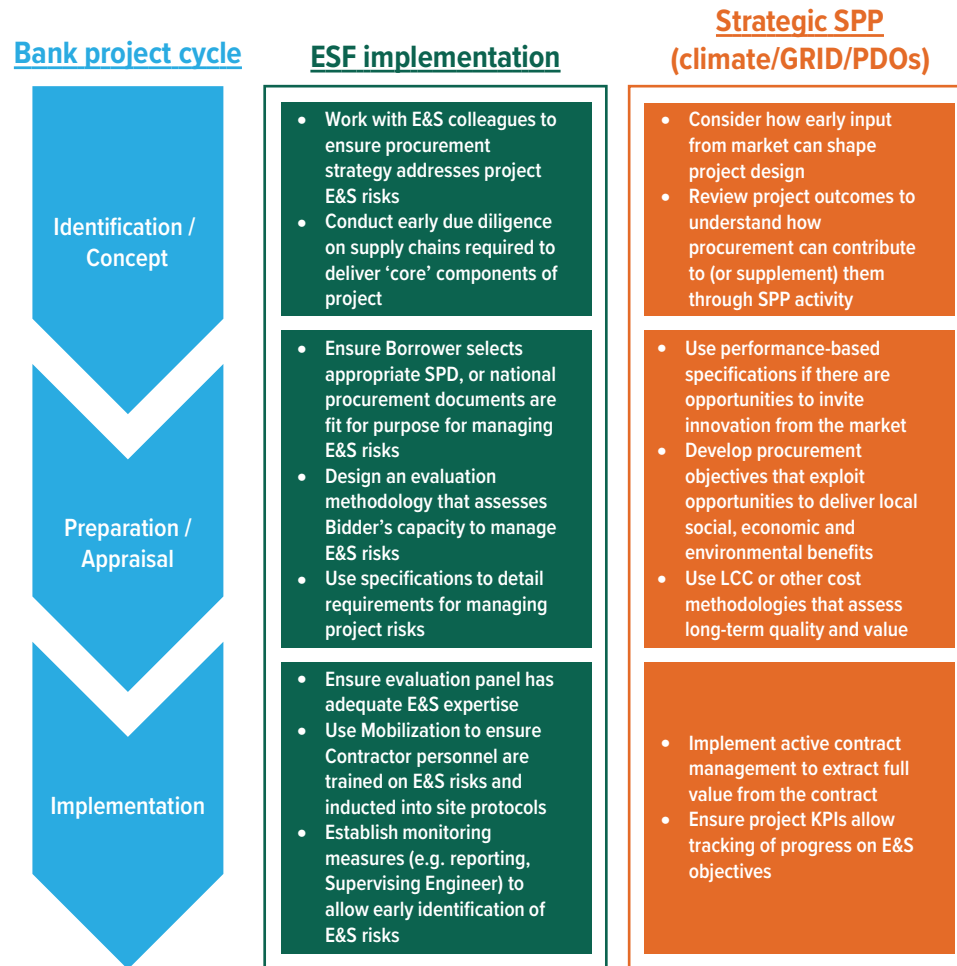
The ESF applies to IPF projects with Concept Decision on or after October 1, 2018. From the Bank's perspective, the ESF is a framework for assessing and addressing sustainability issues in investment projects. The achievement of other Bank goals and Borrower development priorities are also a critical part of a project's success. GRID builds on the ESF by encouraging Borrowers to use development projects to support economic transition.

Borrowers and Task Teams may find the process of integrating and prioritizing the various objectives at a Bank, national, and project level challenging. Prioritization is likely to take place during the Identification and Preparation stages of the project, and guidance on how this can be carried out is included at the relevant section of this document.

This Guidance outlines the processes and key practical considerations for including sustainability considerations in the procurement process. The key concept behind sustainable procurement is achieving a "cascade" of objectives, such as PDOs, national laws and priorities, into the procurement strategy. Implementing that strategy requires a "golden thread" that reinforces these objectives at each stage of the procurement lifecycle, such as in the assessment of risks, the development of bidding documents, the evaluation of bids, and contract management.

The considerations and approaches set out in this Guidance may be useful for showing Borrowers how procurement can be a tool for integrating these different objectives into project operations. These approaches can also be used to enhance sustainability practices in national procurement processes. Figure 17 demonstrates the key steps that procurement can take to integrate ESF and other strategic objectives (for example, GRID, climate, PDOs) into each stage of the project cycle.

FIGURE 17 Summary of key SPP steps across Bank project cycle



SPP at the National Government Level

Overview

A country's national public procurement framework typically includes laws, regulations, policies, strategies, collaborative purchasing agreements, e-procurement systems, accreditations, reporting and measurement frameworks, and related capacity-building programs. Traditionally, many national public procurement frameworks have focused on the prevention of fraud and corruption through increased emphasis on compliance and strict adherence to well-defined, open, transparent procurement procedures. As public procurement practices have matured over the past three decades, they are evolving from a compliance-focused function toward becoming a strategic enabler. This can be linked to the increasing realization by policy makers that procurement can support the achievement of national policy objectives.

In recent decades, many governments have initiated efforts to enhance their public procurement framework to mainstream sustainability considerations, which is reflective of a modern, balanced, inclusive approach to procurement. Other common procurement reform efforts, such as the creation of central purchasing bodies, or the implementation of e-procurement and monitoring systems, are often complementary to good practice in SPP and indeed necessary foundations for the successful implementation of SPP at a national level.⁵⁷ The transition towards mainstreaming SPP often requires governments to deliver programs focused on creating the right environment for SPP. This might include the types of initiatives described below.

Roadmap toward SPP

Borrower countries will be at various stages of SPP maturity. Some will be at the beginning, laying the foundations by establishing SPP policies and developing training material. For some countries, delivering SPP will require transformational and regulatory changes to their procurement framework. These changes are likely to take time, typically requiring a well-funded, multi-faceted change program.

Countries may take different paths towards mainstreaming SPP, and will adapt their SPP approach according to cultural considerations, national priorities, the system of government, fiscal management systems, and supply market dynamics. In general, there are a few key elements to a well-defined SPP framework:

- **Policy settings:** clear policy objectives aligned to national priorities, which may target priority groups (for example, women-owned businesses), specific environmental or social challenges

(for example, reducing construction waste, or increasing inclusion and diversity), and may be aimed at specific contract-types or sectors.

- **Legal framework:** should provide a clear legal basis for the use of SPP, such as the mandatory use of sustainable evaluation criteria, mandatory reporting requirements, incentives for adoption, and with no restrictions on the use of non-price criteria.
- **Procurement processes:** well-defined yet flexible processes, giving procurers clear options for incorporating sustainability at each stage of the procurement process.
- **e-Procurement:** enables tracking of sustainable outcomes through the national procurement system, so that Supplier credentials (e.g., company size, minority ownership) can be monitored from selection through to contract management.
- **Budgeting processes:** long-term or multi-year budgets allow funding decisions to incorporate lifecycle cost considerations, and not jeopardize sustainability to contain cost in the short-term, and/or a budgeting process that incorporates social, environmental, and economic benefits into decision-making.
- **Capacity building and tools:** skills required for more strategic SPP activity (such as lifecycle costing, implementing sustainable criteria, early market engagement) have been identified, and practitioners are supported with capacity building initiatives and tools such as training programs, standard procurement documents with appropriate and enforceable contract conditions (including remedies for non-compliance), and guidance that is continuously updated to respond to emerging trends.
- **Performance monitoring:** data is collected using procurement systems (as opposed to manual entry) and can demonstrate procurement's contribution to national policy objectives, with information collected on Supplier attributes to understand profile of organizations winning government business.

Success Factors for SPP

Lessons have been learned over the last 30 years or so on successes and challenges of implementing SPP. Below are the most commonly cited success factors for implementing SPP taken from practitioners around the world and incorporated into the context of Bank-financed IPF projects.

Fit-for-purpose Legal and Regulatory Framework

One of the preconditions for mainstreaming SPP practice is that there should be no legal or regulatory impediment to including sustainability considerations in national procurement. Ideally, countries should have policies that encourage SPP in the decision-making process, which will incentivize progress on SPP over time. The significance of an enabling legal regime is illustrated by an OECD report from 2015,⁵⁸ in which the first consideration was: "Setting a (Green Public Procurement—GPP) legal and

policy framework to assist buying entities in incorporating GPP in their procurement procedures.” Subsequent studies and reports have underlined the importance of legal and regulatory frameworks that permit and/or promote SPP.

FIGURE 18 Case Study: Fit-for-purpose legal framework for SPP in Georgia

Case Study: Revising the public procurement legal framework in Georgia

In 2021, Georgia, with support from UNEP and the EU-funded EU4Environment project, began a process of revising its public procurement legislation in line with relevant European Union regulations. A decree supporting the implementation of Sustainable Public Procurement (SPP) was drafted, which included the following elements:

- The principles, requirements and procedures for the application of SPP, the procurement contract performance regulations and control procedures;
- The categories of goods, services and works to which SPP requirements and criteria must be applied;
- Lifecycle costing methodology for energy-using products; and
- Sustainability clauses that need to be included in the standard terms and conditions of the contract.

Expected outcomes from the legislation project include increased awareness and knowledge of SPP among stakeholders, the implementation of a more sustainability-oriented procurement landscape, and increased female participation in public contracting.

Source: [Sustainable Public Procurement: How to Wake the Sleeping Giant](#), UNEP (2021).

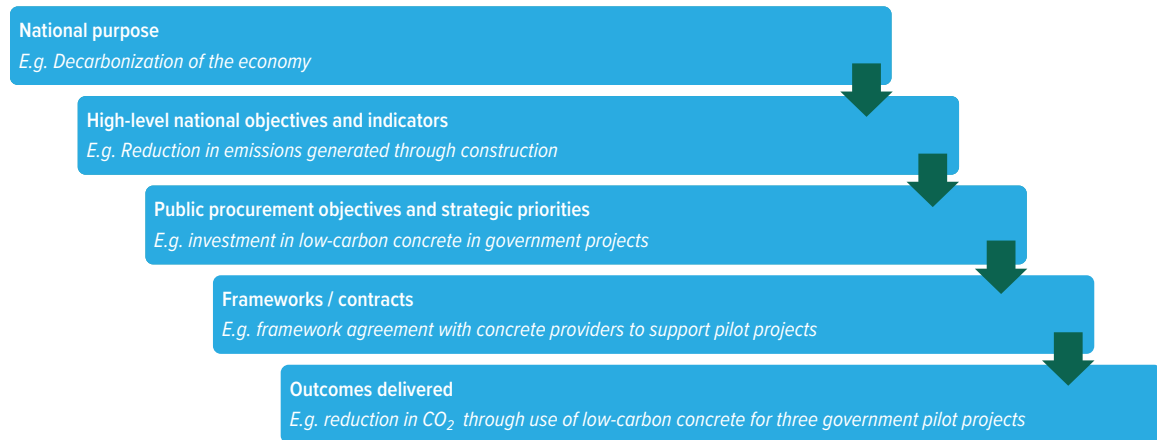
Support from Leaders and Key Policy Makers

Mainstreaming SPP in national systems requires strong leadership within government. Relevant national policies and strategies should give agencies a mandate to incorporate SPP as a priority, while also delivering the procurement needs of the organization. Effective governance mechanisms also need to be in place to provide clear lines of responsibility and accountability for the outcomes delivered. To incentivize procurement professionals to undertake SPP, countries may consider offering incentives, such as national SPP Awards or opportunities to participate in projects of national significance. These incentives could encourage procurement professionals to go beyond traditional boundaries and collaborate with other government agencies, work with industry to develop innovative approaches, or seek to influence senior policy makers.

Integrating SPP Throughout the Project Lifecycle

Critical to successful mainstreaming of SPP is clarity of the intended outcome of any procurement decision. This requires the procuring organization to have clear sustainability objectives which are reflected in their organizational policies and strategies, possibly as part of an SPP strategy. For example, the Bank’s GRID agenda encourages projects to deliver development outcomes that are Green, Resilient, and Inclusive, which can then guide the objectives that are set out in the PPSD.

Mapping these objectives to the organization’s policies and strategies helps to demonstrate the benefits that SPP can deliver to key policy goals of Borrower countries. For example, the flowchart in Figure 19 is an illustrative example of how individual contracts can be connected to national priorities.

FIGURE 19 Illustrative flowchart of national objectives connecting to procurement actions

Even if a national SPP policy or strategy is not in place, countries can still opt to integrate sustainability objectives into their policies and projects. When countries engage multilateral development banks, such as the World Bank, they could use these internationally funded projects as pilot opportunities to prove how SPP can go beyond typical national practice. To deliver the best results, sustainability requirements should be built in from the start of a project and maintained (and possibly refined) throughout the entire procurement decision-making process. The agency responsible for the project would then need to monitor the achievement of these sustainability requirements throughout contract delivery using robust contract management procedures.

There are also important steps that can be taken once the project has been implemented. For example, systematic post project evaluation may generate valuable insights on whether the benefits and objectives used to justify the project were actually achieved. Lessons learned from relevant contracts can be used to inform other public projects, as well as informing the wider agenda on SPP policies and strategies.

FIGURE 20 Case Study: Setting SPP policy in Grenada

Case Study: Setting clear policy direction in Grenada

Background

In 2018, a public procurement spend analysis led by the Bank's Procurement team in Grenada showed that government could play a major part in reducing water and land pollution because more sustainable goods last longer, consume fewer resources, and cause less harm to the environment.

Approach

This analysis helped spark the government's drafting of a new policy on sustainable public procurement, enacted in 2020. The policy identifies which categories of products are to be included under this new sustainable approach.

Outcome

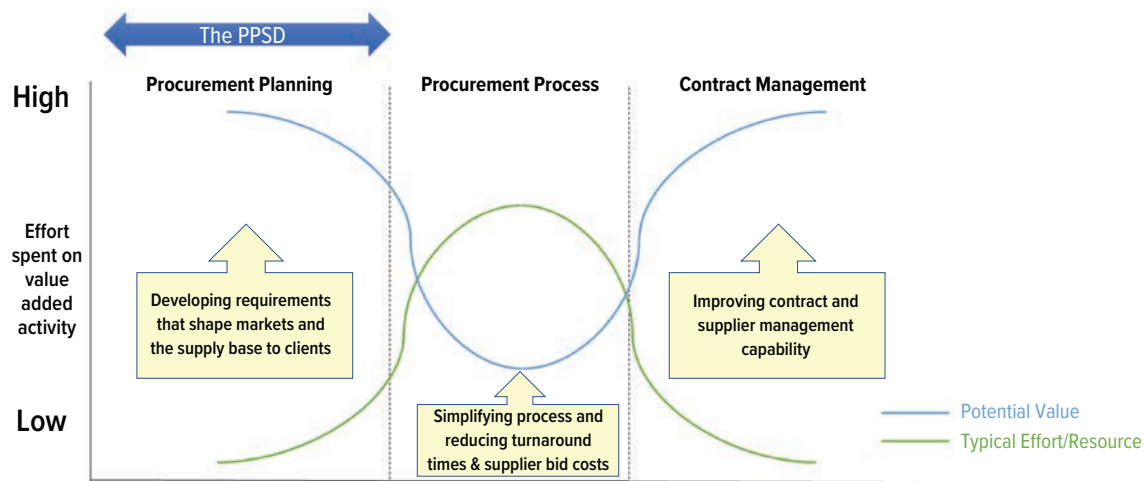
Grenada has continued developing a more robust public procurement process by introducing sustainability criteria for its purchases that include prioritizing purchases from local industry, nurturing sustainable development, and championing protection of the environment.

Source: World Bank case study repository

Early Engagement of Procurement

In countries or organizations where procurement is seen as a compliance-driven or transactional activity, procurement practitioners are unlikely to be involved in the early stages of a project. Procurement effort is traditionally expended in the bidding phase, which although an important and necessary part of the process, is not where the biggest project decisions are made. There may be missed opportunities resulting from such practices, as the early planning and contract management phases are when procurement can have the greatest impact, as shown in Figure 21.

FIGURE 21 Potential procurement value vs typical effort



Having procurement professionals involved earlier in the project decision-making process (meaning before bidding starts) can leverage their experience of working with the market and their knowledge of different industries. Procurement practitioners need to “sell” the value they can bring to decisions made early in the project—for example, by sharing insights on the market’s ability to manage the project’s key risks. Such knowledge helps inform decisions on lifecycle costing (LCC), feasibility, and design options, and reduces the risk of failed bidding processes, or selecting the wrong delivery approach or the wrong Supplier(s). These missteps lead to extended project timeframes, increased cost, and environmental, social or economic challenges that could be difficult to remediate at later stages of the project lifecycle.

Procurement professionals can also support discussions on optimizing the PDOs and provide insights on which procurement approaches might be most suitable, considering the key aspects that Borrowers should consider when planning procurement activity (such as what needs to be procured, any foreseeable supply chain challenges). In addition, at the early stages of a project, E&S and procurement colleagues can work together to identify innovative solutions for resolving issues at the intersection of ESF and procurement.

Engaging Early with the Market

Borrowers can use early market engagement to identify innovative, context-appropriate solutions that could deliver better and more sustainable objectives, such as improved Occupational Health

and Safety (OHS), reduced carbon, longer-lasting assets, reduced maintenance, less energy in use, and so on. Involving potential suppliers early in the process can also help to ensure that the project approach is feasible and is likely to attract prospective bidders to participate in the bidding process. Suppliers will also be a useful source of learning based on their successes and challenges when delivering similar projects in the past.

By engaging in early dialogue with the market, Borrowers can hold more open and informed discussions about alternative solutions and have a better chance of identifying the optimal solution based on the market's capacity. The opposite is also the case—if specifications are too tightly prescribed, too early in the process, innovation is locked out. Indeed, if procurement is involved too late in the project development process, there will be no opportunity to incorporate appropriate market-led solutions into the requirements/specifications.

The most appropriate materials and technologies to address a need are not always those imported from a different country or region. Solutions available in local markets are likely to be more cost-effective, and tailored to local conditions that foreign market solutions may not be familiar with. In addition, using local solutions also reduces emissions and costs from transportation, and can help grow local economies.

The need for early market engagement, and the suggested approach for engaging the market, should be identified during procurement planning and included in the PPSD. Common market engagement mechanisms include online portals and virtual and in-person events. Should market analysis indicate a lack of capacity to manage E&S risks and impacts that have been identified, Supplier engagement may also incorporate a training element (see section “*Market analysis and engagement*” under “*Preparing the PPSD*” for further details on how to conduct early market engagement).

FIGURE 22 Case Study: Early market engagement to identify innovative solutions in Argentina

Case Study: Early market engagement to identify innovative solutions in Argentina

Background

An estimated 145,000 Argentinian households lack access to electricity. To provide these rural communities with electric energy, the government was looking to procure easy-installation solar panels kits that could help bring a reliable and sustainable source of power to these communities.

Approach

The main implementation challenge was to find a Supplier who could meet the technical requirements at an affordable price. This would be challenging, given that the Argentinian government could not provide a reliable indication of the number of units required, and when and where they would need to be installed.

The procurement approach established a Framework Agreement (FA) that enabled providers to deliver market-led solutions. The FA sought to attract the best possible vendors while also addressing the needs of beneficiaries in remote rural areas. The terms of the FA provided certainty to vendors and beneficiaries by agreeing to umbrella conditions upfront. Over time, competition among panel members continued to bring in the latest technology developments from the market and achieve economies of scale in certain regions. The FA was also designed to limit the administrative work required to award contracts to vendors.

Outcome

The project was able to eliminate the inconvenience and cost associated with the previous widespread use of batteries, candles, and kerosene, as well as giving approximately 193,000 people in Argentina's remote rural areas increased resilience and security.

Understanding Market Capability

Successful SPP depends on the capability and capacity of the market to deliver suitable solutions. Where the market is not yet ready to deliver Goods and services to the highest environmental standards, for instance, procurers need to be prepared to develop procurement strategies that allow for more gradual improvement. Therefore, an understanding of key markets and their capacities is vital.

Market capacity is usually outlined by the Borrower in the PPSD and is a key determinant in the selection of procurement arrangements and the approach to market, such as whether a national or international procurement approach will be used. If the local market does not have the necessary capacity to address key risks, then at the earliest opportunity the Borrower should discuss with the Task Team how the procurement approach might be adapted to attract Bidders with the capacity to manage the project's risks.

Market capacity can be improved by helping Contractors to develop over the course of project implementation. Borrowers could incorporate a contractual commitment for Contractors to improve their performance by meeting milestones that become incrementally more challenging over time. This type of arrangement should apply to issues that are measurable, such as a reduction in OHS incidents, a reduction in water or energy use, increased use of low-carbon materials or improvements in stakeholder satisfaction. This may not be an appropriate approach for environmental and social aspects that are subject to clear prohibitions in applicable national law or under lender's policies (such as wastewater discharge standards or prohibition of forced or child labor).

FIGURE 23 Case Study: Market capability to respond to ESF requirements in Vanuatu

Case Study: Market capability to respond to ESF requirements in Vanuatu

Background

Local Contractors in Vanuatu historically win more than 50% of World Bank-financed contracts, with an average contract value of less than \$1 million. Capacity among these small domestic Contractors is low, and on a recent project with 55 works activities (average value \$660,000), a trend emerged where five to eight firms would attend the pre-bid meeting and only one or two firms would submit a bid. Upon investigation, firms disclosed that there were several factors contributing to the low participation rate including an inability to meet ESF requirements. For example, they disclosed that they felt incapable of developing a Contractor's Environmental and Social Management Plan, and thus would be unable to meet the financial burden of various performance securities. These issues highlighted the need to engage with Contractors to help them to understand contractual requirements and ultimately build their capability to respond to ESF requirements. It also demonstrated the need to tailor some E&S requirements to the context in order to retain healthy competition.

Approach

The approach taken by the Project Implementation Unit (PIU) was to hold workshops with Contractors and adjust requirements to better suit the SMEs in Vanuatu. The market engagement process helped to clarify ESF requirements for Contractors and led to a re-balancing of retention/performance security obligations as the contract progressed and as risk reduced. The PIU also actively followed up with firms that attended the pre-bid meeting to ensure they were clear on the documents that needed to be submitted for their bids to be considered responsive.

Outcome

There was a marked improvement in engagement with the project generally in Vanuatu and increased participation through the second half of the project. The outreach also resulted in a significant reduction in the financial burden on Contractors. The E&S Performance security was set at a more appropriate level and reduced over time as the risk reduced. The project completed on time with 100% disbursed, and 98% of the works contracts were successfully completed by local firms.

Source: World Bank

Another way to respond to market capacity constraints is to provide training to Contractors. Task Teams can help the Borrower to identify technical areas where Contractors may lack capacity and help identify experts who can provide technical support. For example, if a project wishes to promote the use of nature-based solutions to limit erosion alongside public infrastructure, but the available pool of Contractors only has experience in delivering structural solutions, the Task Team may consider engaging international or national experts in implementing nature-based solutions to deliver training to Contractors.

Technical training can be built into the training program delivered at contract mobilization, which presents Borrowers with an important opportunity to build Contractor capacity. The mobilization phase will also allow Contractor and Subcontractor personnel to be trained on the project's E&S risks. The more formal training program, which should target relevant E&S risk for the project, can be supplemented by regular toolbox talks on site and an induction program for workers or visitors arriving at site for the first time.

Building SPP Capacity for Practitioners

To effectively support SPP, procurement professionals will need to broaden their skillset so that they are able to apply techniques such as integrating sustainability into the procurement strategy, evaluating Bidders' responses in relation to sustainability performance and qualifications, developing E&S specifications and KPIs in collaboration with E&S professionals, and managing sustainability performance as part of contract management. Many countries and international organizations offer SPP training programs to enhance understanding of sustainability and build these skills among procurement professionals.

FIGURE 24 Case Study: Building SPP procurement capacity in Nigeria

Case Study: Building procurement and E&S capacity in Nigeria

Background and Approach

Growing the capacity of the public procurement system in Nigeria has been a key part of the function's evolution. Building on federal multi-stakeholder consensus, the Bank, jointly with core central government agencies, rolled out a capacity building program unique to Nigeria focused not only on procurement, but also sustainability standards. The program itself was delivered in an integrated and sustainable manner, partnering with six federal universities to offer various blended and hybrid learning options.

Outcome

By 2020, Nigeria had established interconnected centers of excellence at six universities, collectively delivering a comprehensive curriculum involving 10 advanced courses on procurement. In February 2021, a train-the-trainers course was launched, resulting in accreditation for 60 trainers who could deliver training in both academic and industry sectors. In May 2021, enrollment began for 12,000 places on a variety of short courses. The university courses have produced 9,000 qualified graduates, who can begin to fill the competency gaps in both public and private sectors, with Federal entities certifying 4,000 practitioners.

The linkage that the program has created between procurement and E&S standards has strengthened over time, which is anticipated to deliver more socially and environmentally responsive procurement and project execution.

Source: World Bank case study repository

Where timing and resources permit, Borrowers can also consider organizing a workshop or training session targeting Project Implementation Unit (PIU) or implementing agency (IA) staff who work on project design, E&S issues, as well as procurement. Starting with an overview of key project design milestones, training should cover E&S related tasks across the entire procurement cycle, including, developing specifications, evaluating bids, and managing contracts. The training should encourage PIU or IA staff to identify synergies across their workstreams and discuss ways of working together more closely.

If the project engages HEIS support, Borrowers will have access to procurement experts, who, while using their expertise to support key procurement steps, can also develop capacity by:

- Allowing less experienced team members to shadow them when in meetings, developing documents, visiting sites, and so on;
- Reviewing project documents and providing feedback on aspects that are missing or could be improved; and
- Delivering training on specific procurement aspects to Task Team or PIU/IA while they are engaged on the project.

A number of online training resources are freely available for practitioners to take, some of which have been collated in Figure 25.

FIGURE 25 Publicly available training material on SPP

A number of training programs are provided by international institutions aimed at building capacity in sustainable procurement or increasing awareness of E&S issues, including:

- [World Bank's ESF Fundamentals](#): This course delves into each of the ESF Environmental and Social Standards (ESS), sharing helpful approaches through videos, case studies and stakeholder interviews, setting out the mindsets and behaviors that are key to successful implementations of the ESF.
- [ITC online course on Sustainable Public Procurement](#): available in English and French, this course shows learners how to integrate sustainability into procurement policy and operations, covering important concepts such as Lifecycle Costing and ecolabels;
- [The EU GPP Training Toolkit](#): specifically focused on "Green Public Procurement," this training program consists of six independent modules and 10 operational modules made available through a selection of PowerPoint presentations with accompanying trainer notes and guidance. The operational modules set out buying criteria and environmental impacts for eleven common categories.

The Use of Technology to Facilitate Data Collection

SPP practices may also be enhanced through e-procurement systems to facilitate data capture and increase the effectiveness and efficiency of the procurement process. By integrating SPP monitoring into existing e-procurement systems, it can improve contract management of sustainability

performance by making it easier to identify and rank sustainable buyers, measure outcomes and benefits, and allow data to be used for continuous improvement.

The Bank's Systemic Tracking of Exchanges in Procurement (STEP) is an online system to help Bank staff and Borrowers plan, record, and track procurement activities under Bank-financed projects. The collection and publication of procurement data also helps to increase transparency and accountability. The Bank updated STEP in 2022 to include a Contract Management Module, which is intended to help Borrowers better manage contracts and thus improve overall contract and project implementation. The system will track key contract deliverables, including reporting incidents related to sexual exploitation and abuse and sexual harassment (SEA/SH), value engineering proposals and approvals, and progress against the Contractor's Environmental and Social Management Plan (C-ESMP). The system can also be used to track KPI performance, which will be particularly relevant where contracts include E&S KPIs. Overall, the system can improve the monitoring of compliance against E&S obligations in the contract.

Over time, additional tools and technologies will become available to help increase the effectiveness of E&S monitoring. For example, technologies including geo-spatial tools and drones are already being used to monitor site activity and track changes in biodiversity. Integrating this data into Contractor performance monitoring will help to build a fuller picture of the Contractor's performance and provide early warning of issues arising on a project.

Introduction: Learning Checklist

- I understand the purpose of this Guidance and who it is intended for
- I can clearly define SPP when speaking with stakeholders
- I know the three key categories of SPP, and the types of benefits that can be achieved within each
- I understand the role of sustainability in the Bank's Procurement Framework
- I understand how SPP approaches might change depending on the context or sector
- I understand the connection between SPP and ESF, as well as the Bank's other key sustainability initiatives such as GRID and the Action Plan
- I can articulate the enablers that national governments should put in place for successful SPP
- I can articulate the critical factors that need to be in place for SPP to be successful

Endnotes

- 1 [Marrakech Task Force on Sustainable Public Procurement](#), United Nations Environment Programme (UNEP), 2011.
- 2 The adoption of environmental and social practices by businesses is often known as responsible business conduct (RBC) or corporate social responsibility (CSR).
- 3 [Productivity in Public Procurement](#), OECD (2019).
- 4 Up to 55 E&S issues cascade from the ESF into procurement-related implementation actions.
- 5 [The Paris Agreement](#), United Nations Climate Change.
- 6 Rules governing activities of Borrower staff in the procurement of IPF projects is governed by the Procurement Regulations; additionally, Bank staff must apply rules set out in the [Bank Procurement Policy](#), both of which are guided by the Bank's Core Procurement Principles of value for money, economy, integrity, fit for purpose, efficiency, transparency, and fairness.
- 7 The ESF was established as mandatory Bank policy by the [World Bank Environmental and Social Policy for Investment Project Financing](#).
- 8 The term "procurement" is commonly used throughout the document and should be read as "public procurement" given this Guidance is primarily addressed to World Bank staff and Borrower countries.
- 9 [How large is public procurement?](#), the World Bank (2020).
- 10 The project named [Capacity Building for Sustainable Public Procurement in Developing Countries](#) was piloted in seven countries: Chile, Colombia, Costa Rica, Lebanon, Mauritius, Tunisia, and Uruguay.
- 11 [Sustainable Public Procurement Implementation Guidelines](#), UNEP (2012).
- 12 [Sustainable Public Procurement: 2022 Global Review](#), United Nations Development Programme (2022).
- 13 26 OECD countries and 1 partner, Brazil, [OECD](#) (2021).
- 14 Chapter 8. Public Procurement, [Government at a Glance](#), OECD (2021).
- 15 The OECD Foreign Bribery Report (2014) collected data that showed that more than half of foreign bribery cases occurred to obtain a public procurement contract, and almost two-thirds of foreign bribery cases studied occurred in sectors closely associated with contracts or licensing through public procurement: the extractive, construction, transportation and storage, and information and communication sectors.
- 16 [Corruption and the Challenge to Sustainable Public Procurement \(SPP\): A Perspective on Africa](#), Eyo (2017)
- 17 [Guidance for Leadership in Sustainable Purchasing \(Version 1.0\)](#), Sustainable Purchasing Leadership Council (2014).
- 18 World Bank Group. 2013. [World Bank Group Strategy](#). Washington, DC. © World Bank.
- 19 [Bank Policy – Procurement in IPF and Other Operational Procurement Matters](#), the World Bank (2017).
- 20 This Guidance sets out a good practice SPP approach that is consistent with the Bank's Procurement Policy and should be read in conjunction with other Bank Guidance such as: Project Procurement Strategy for Development (PPSD) (available in [Long Form](#) or [Short Form](#)), [VfM](#), [Evaluation Criteria](#) and [Contract Management – Practice](#).
- 21 [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 22 The US Government's Bureau of International Labor Affairs maintains a [List of Goods Produced by Child Labor or Forced Labor](#), which also highlights the regions where these issues are most likely to arise.
- 23 "'Tsunami of data' could consume one fifth of global electricity by 2025," The Guardian (December 11, 2017).
- 24 Contained in the sustainability aspects of the Project Procurement Strategy for Development (PPSD), described further in Section X.

- 25 Sustainable Procurement in Fragile States, International Institute for Sustainable Development (2012).
- 26 [Procurement Guidance: Procurement Hands-on Expanded Implementation Support](#), the World Bank (2019).
- 27 [Procurement Hands-on Expanded Implementation Support](#), World Bank guidance.
- 28 Overview of the World [Bank's Environmental and Social Framework](#).
- 29 The financing agreement between the Bank and the Borrower requires use of the ESF.
- 30 ESS 1, paragraph 27 (page 19).
- 31 Relevant ILO conventions on labor and working conditions are referenced in the [ESS 2: Labor and Working Conditions—Guidance Note for Borrowers](#).
- 32 Relevant UN conventions on the environment include The Vienna Convention for the Protection of the Ozone Layer, The Basel Convention on the Control of Trans-Boundary Movements of Hazardous Waste, and the Stockholm Convention on Persistent Organic Pollutants.
- 33 United Nations' [Sustainable Development Goals](#).
- 34 Set out in the World Bank Environmental and Social Policy for Investment Project Financing, page 9, paragraph 46 of [the ESF](#).
- 35 The Bank's [Procurement Framework](#) incorporates a number of measures, including Procurement Policy, the Procurement Regulations, the Procurement Directive, Procurement Procedure, and includes a range of Guidance Notes and Standard Procurement Documents.
- 36 ESS 1—Annex III: Management of Contractors (page 29); ESS1—footnote 1 (page 15): “Contractors retained by or acting on behalf of the Borrower or an implementing agency are considered to be under the direct control of the Borrower.”
- 37 ESS 1—Annex III: Management of Contractors (page 29); ESS1—footnote 1 (page 15): “Contractors retained by or acting on behalf of the Borrower or an implementing agency are considered to be under the direct control of the Borrower.”
- 38 ESS 1—footnote 34 (page 20): “Core functions of a project constitute those production and/or service processes essential for a specific project activity without which the project cannot continue.”
- 39 ESS 1—footnote 34 (page 20).
- 40 Request for Proposal (Two Stage), Standard Procurement Documents, World Bank (2023). <https://thedocs.worldbank.org/en/doc/237f11d9047bda7b0bddcbdf117add47-0290012023/original/SPD-RFP-Works-DB-Two-Stage-SEASH-JULY-2023.docx>.
- 41 Note: Spelling of ‘labour’ inserted where original contract text includes UK spelling (FIDIC).
- 42 World Bank Environmental and Social Policy, paragraph 3a (page 3); paragraph 6 (page 4); paragraph (page 7); paragraph 53 (page 10); paragraph 56 (page 10).
- 43 ESS 2 – G, paragraph 42 (page 36).
- 44 Bank Directive, [Procurement in IPF and other Operational Procurement Matters](#).
- 45 [Procurement Policy in IPF and Other Operational Procurement Matters, July 2016](#).
- 46 [Methodology for Assessing Procurement Systems \(MAPS\)](#).
- 47 [Draft Guide to the APA Assessment](#), Methodology to Assess Alternative Procurement Arrangements in Borrower Implementing Agencies for Procurement financed under IPF, World Bank guidance.
- 48 [Shock Waves: Managing the Impacts of Climate Change on Poverty](#), the World Bank (2016).
- 49 Country commitments are monitored by the [Net Zero Tracker](#) developed by the Energy and Climate Intelligence Unit (ECIU).
- 50 “Net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance” (United Nations, [Net Zero Coalition](#)).
- 51 [World Bank Group Climate Change Action Plan 2021-2025](#).
- 52 CCDRs by region can be found [here](#).
- 53 [Green Public Procurement: Catalyzing the Net Zero Economy](#), WEF and BCG (2022).
- 54 [Projects & Operations portal](#), World Bank.
- 55 [Industrial Analytics Platform](#), United Nations Industrial Development Organization (2021).
- 56 [Net Zero Challenge: The Supply Chain Opportunity](#), World Economic Forum (2021).
- 57 [Green Public Procurement: An Overview of Green Reforms in Country Procurement Systems](#), the World Bank (2021).
- 58 [Going Green: Best Practices for Sustainable Procurement](#), OECD (2015).



For additional information, such as Standard Procurement Documents (SPDs), Guidance, briefing, training and e-learning materials see www.worldbank.org/procurement